

Why is the assurance of social and environmental
disclosures stalling within New Zealand?

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ABSTRACT

New Zealand has a low prevalence of both social and environmental reporting, and assurance. However, while the number of reporters in New Zealand has continued to rise, the amount of assured reporters has been declining. This thesis seeks to understand why assurance practice is declining, what the causal factors are, and why New Zealand appears to be incongruent with rising levels of international assurance practice. It also aims to discover what might drive increased assurance adoption within New Zealand in the future.

Through utilising a pilot study of the current trends in New Zealand social and environmental reporting and assurance over a nine year period, the extent of assurance adoption decline is documented. New Zealand's assurance providers, and the country's non-assured, formerly assured, and currently assured organisations are interviewed regarding their position on assurance adoption. Benefits and barriers to assurance, stakeholder use and need for assurance, material differences between New Zealand and international practice, whether assurance is poised to increase in the future, and what will potentially drive assurance in the future are investigated.

This thesis discovers several barriers to assurance adoption including: cost, lack of perceived internal and external value, lack of pressure from stakeholders, difficulties surrounding the assurance engagement, under-developed reporting, and assurance having a diminishing value over time. The benefits identified were not as strong as the barriers in most cases. Internal benefits were generally perceived to be greater than the external benefits, as organisations noted questionable credibility enhancement.

Overall, a lack of drivers for assurance exists. Lack of stakeholder pressure is the key overriding barrier halting assurance adoption. An increase in assurance adoption could eventuate if increased societal awareness and desire for disclosures, pressure from export markets, and a change in presentation and communication of disclosures occurred.

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1. INTRODUCTION

1.1 Background

Internationally, as well as in New Zealand there has been a steady growth in the number of organisations voluntarily disclosing their social and environmental impacts and performance often either in the form of stand-alone reports, or sections within the annual report (KPMG, 2011, p.6). Organisations may have many and varied reasons for voluntarily reporting this information to the public. However, for the information to be of value to an organisation's stakeholders, it needs to be perceived as credible, as well as being free from material misstatement and without gross omissions. Third-party assurance has been espoused as an integral credibility-adding function to these social and environmental disclosures (ACCA and CorporateRegister, 2004, p.16). However, many organisations continue to choose not to get their reports assured. Presumably for many differing reasons, but following Park and Brorson (2005), it is likely that cost of assurance, lack of perceived value for assurance, lack of stakeholder pressure for assurance, and under-developed reporting (p.1100) are key considerations. Additionally, questions have been raised over the quality of current assurance engagements as they appear closely controlled by the reporting organisation. This calls into question whether the assurance engagement has been subject to managerial capture, leading to limitations on the scope of the engagement, and potential for presence of material misstatements in non-assured pieces of disclosure (Ball, Owen, and Gray, 2000, p.18).

1.2 Research problem

The adoption of assurance for social and environmental report information has increased internationally over the past decade or so (see KPMG's triennial international surveys of corporate responsibility reporting since 1996, the latest of which is KPMG, 2011). However, this has not happened in New Zealand. As at 2010, there appears to be only five New Zealand organisations that get their social and environmental report information comprehensively assured and communicate this externally (Contact Energy, Genesis Energy, Sanford Fisheries, Vodafone New Zealand, and The Warehouse). This accounts for approximately between 13 percent (see Appendix 1) and 19 percent (KPMG, 2011, p.29) of the total population of social and environmental reporters in New Zealand. Meanwhile, New Zealand's closest trading partner, Australia, enjoys assurance of between 43 percent (Higgins, Milne, and Van Gramberg, 2011, p.10) and 51 percent (KPMG, 2011,

p.29). Consequently, we might ask why is New Zealand's social and environmental assurance adoption so low. The overall aim of this thesis is to discover why social and environmental reporting assurance adoption is stalling within New Zealand. It focuses on these main points:

1. Why do New Zealand organisations report on their social and environmental performance?

As organisations choose to disclose their social and environmental impacts, the question begs: Why? The purpose for reporting is likely to vary across organisations, and perhaps there is a causal link between an organisations' purpose for reporting and their adoption of assurance.

2. Why do many New Zealand organisations not seek assurance over their social and environmental disclosures?

Many New Zealand organisations have never obtained assurance for their social and environmental disclosures. Discovering the reasons why these organisations have not gained assurance is important, as it is these organisations, especially long-time reporters, who have likely contemplated third-party assurance and more closely considered its costs and benefits. It is also beneficial to understand why new reporters and long-time reporters both large and small have decided to forgo assurance as these categories of organisations could yield differing reasons for not obtaining assurance over their social and environmental disclosures. Additionally, it will be of interest to know organisations' perceptions of the credibility enhancing potential of assured social and environmental disclosures. Many New Zealand organisations have also previously adopted for their social and environmental disclosures and have since ceased this action. Such organisations however continue to release social and environmental information. Why have these organisations ceased obtaining assurance?

3. What are the perceived benefits of assurance for organisations?

With only five New Zealand organisations currently obtaining assurance for their social and environmental disclosures, it is important to understand their reasoning for continued use of assurance, what benefits they perceive from the assurance engagement, and whether they plan to continue to obtain assurance in the foreseeable future. Additionally, assurance providers' beliefs regarding the potential benefits of assurance is integral to understand so that comparison can be made to the actual benefits received.

4. Do stakeholders use social and environmental disclosures, and are they perceived as requiring assurance over these disclosures?

As most organisations do not obtain assurance for their social and environmental disclosures, the degree that organisations perceive stakeholders as users of these disclosures for decision-making purposes is of interest. If organisations do not perceive their stakeholders as using or relying upon their social and environmental disclosures, there is little external incentive for assuring these disclosures. Similarly, if stakeholders are perceived as not requiring assurance for their social and environmental disclosures, there is again little external incentive for obtaining assurance.

5. Are there any concerns regarding current assurance practice?

As most New Zealand organisations have either never adopted assurance, or have since ceased it, there may be underlying issues relating to the assurance process. Similarly, stakeholders' perceptions of the assurance engagement could hamper its value in the eyes of the reporting organisations. Academic literature has raised issues regarding current assurance provider practice (for example, Ball et al., 2000, Owen, Swift, Humphrey, and Bowerman, 2000; Adams and Evans, 2004; Fonseca, 2011), and if these possible problems come to light from this thesis then assurance providers need to be proactive about amending them.

6. Why does New Zealand appear to not be keeping up with international assurance trends?

Are there any factors specific to New Zealand at play causing the lower percentage of assurance in New Zealand? Perhaps overall attitudes, thoughts and business climate are contributing factors. It is of interest whether organisation representatives believe there are any of these factors present.

7. What is the future of assurance in New Zealand, and what are the potential drivers for an increase in assurance adoption?

As assurance adoption is currently low in New Zealand, opinions on the potential future drivers that will increase adoption rates will be sought from interviewees. These potential drivers could foreshadow and document a rise in assurance within New Zealand, and some may be generalisable to other countries.

1.3 Research design

Firstly, a pilot study of New Zealand's social and environmental reporters has been conducted to discover the true nature of New Zealand's previous and current assurance adoption and social and environmental information percentages. This was achieved by using the current membership of

the New Zealand Business Council for Sustainable Development (NZBCSD), and the Top 50 organisations as indicated by the New Zealand Exchange stock exchange index (NZX 50) as a starting sample. This sample then grew by speaking to the assurance providers and the sample constituents to produce an increased list of reporters, as well as a more accurate understanding of how many New Zealand businesses reported their social and environmental disclosures with assurance.

The second part of the thesis centres on talking to a sample of these organisations, and their assurance providers. These interviews discover among other thoughts, the decisions of New Zealand organisations to adopt or not adopt third-party assurance for their social and environmental disclosures and rationales for such decisions. They also provide the means to understand how the New Zealand assurance providers' argue the case for assurance of social and environmental disclosures. Hence, this research relies upon qualitative semi-structured interviews with the relevant subjects to the decision to seek third-party assurance.

2. LIMITATIONS AND KEY ASSUMPTIONS

2.1 Limitations

Firstly, some limitations exist within the documentation of the current state of New Zealand's social and environmental reporting and assurance climate. Percentages of organisations disclosing social and environmental information, and assurance rely upon many assumptions. Firstly, whether an organisation releases social and environmental information or not can be a subjective issue, as most organisations report a very small amount of these disclosures that would meet at least one GRI requirement. Therefore, to differentiate reporters from non-reporters for inclusion in this thesis, minimum length requirements were decided upon. Secondly, organisations were originally only included in these figures if included among the NZX top 50 companies or were members of the NZBCSD. However, this was then expanded by searching numerous other avenues including talking to interviewees, investigating membership of sustainable business groups, submissions to the ACCA New Zealand Sustainability Reporting Awards, the GRI report list 1999-2011 (GRI, 2011c), Google search, and CorporateRegister.com. This provided another list of social and environmental reporters, some of who obtained assurance. Thirdly, organisations who reported disclosures through websites made it hard to track how long they had been reporting on their social and environmental disclosures, especially if there was no mention of or access to prior year's data. Overall, this means that there is opportunity for organisations to exist who publicly disclose their social and environmental information, yet do not obtain assurance, and also a slim chance of assured social and environmental reporters also existing who have not been included in the pilot study. It is more likely that formerly assured social and environmental reporters have not been included, rather than currently assured reporters, as some formerly assured reporters do not appear to release disclosures to the same degree, or report within New Zealand anymore. Overall, these factors mean that the reporting and disclosure percentages are approximate. However, these percentages are not believed to be radically under or over stated, as they corroborate with findings from KPMG (2011), assurance provider interviews, and various papers regarding New Zealand's social and environmental reporting and assurance adoption (such as Milne et al., 2001; Milne, Tregidga, and Walton, 2003; Chapman and Milne, 2004).

Participants declining participation in this thesis, or organisations not having adequate employees

to discuss their social and environmental reporting due to staff turnover is also a limitation to this thesis, although a good number of interviews were conducted overall, spread over many differing organisations. Additionally, the employees of the organisations that have been interviewed may not necessarily make the decision to obtain or forgo assurance in the organisation. This is not regarded as a major limitation, as it appeared that all interviewees agreed with their organisations' treatment of assurance, and all believed that they had a say in the decision. Similarly, the employees who determined the original decision to obtain or forgo assurance may no longer have resided in the organisation. Nonetheless, it appears that current employees (and interviewees) understood the cost versus benefit scenario that the organisation was facing when contemplating assurance.

'Assurance' is a subjective term, and some organisations believe that they obtain assurance over their report from engagements other than through an engagement conducted by an assurance provider, similar in approach to that of a financial audit. While different types of assurance have been described in Section 3.7, ultimately a limitation exists where some will differ in beliefs as to what should constitute assurance over social and environmental disclosures.

Limitations may also arise from the interviewees' statements being erroneous assumptions and deceitful answers to questions. However, intentionally erroneous answers would be a very slim possibility, as interviewees spoke freely and frankly about all aspects of their organisations' reporting practices due to confidentiality and comfortability during the interviews.

Finally, some limitations are inherent from only gaining organisations' representatives' perceptions on a number of areas. Interviewees discussed their understandings of stakeholder opinions, business agency plans and beliefs, government beliefs, and a range of other third party opinions. To gain a full picture of some of the topics discussed would require interviews with a broad range of these groups. This, however, was outside of the scope of this thesis. Additionally, many of these opinions were not ultimately important as it was often organisations' representatives' perceptions of these factors which were related to the decision to obtain assurance or not. It was mainly only when discussing potential drivers for the future where outside parties to organisations and assurance providers would be able to offer insightful commentary.

2.2 Key assumptions

2.2.1 New Zealand: A unique climate

I assume that the worldwide variation between countries in both the provision and assurance of social and environmental reports is due to many underlying factors. Previous studies such as Kolk and Perego (2010) have also outlined that country differences exist. While this thesis sets out to find why the adoption of assurance in New Zealand is low, many underlying factors are likely not to be taken into account due to the complex make-up of the scenario. However, I endeavour to discover many causal factors related to this phenomenon to draw a conclusion as to why social and environmental assurance adoption is stalling in New Zealand, as well as potential drivers for assurance in the future. There will also be many factors leading towards New Zealand's low assurance adoption and potential drivers for assurance in the future that can be generalised to other countries.

2.2.2 Assurance, verification, and audit are interchangeable terms

Deegan, Cooper, and Shelly (2006b) show how the terms assurance, verification, and audit can be differentiated (p.3). Deegan et al. (2006b) also note that the terms assurance, verification and audit are being used interchangeably, as are the terms corporate responsibility report, social and environmental report, sustainability report and triple bottom line reporting (pp.3, 4). Therefore, for the purpose of this thesis the terms assurance, verification, and audit are assumed to be interchangeable and referring to the same general process or report when mentioned in participant responses and prior literature. As such, this thesis uses the word 'assurance' to cover all three terms.

2.2.3 Definition of sustainability

Sustainability is traditionally defined as, "...development which meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations World Commission on Environment and Development, 1987, n.p.). However, any reference to 'sustainability' in this thesis is through the organisation's, or the assurance provider's perspective and may not follow this definition. Gray and Milne (2002) suggest that true sustainability reporting

does not exist, as it would be exceptionally difficult to measure and manage. Additionally, they note that organisations appear to pursue growth and profit, likely planning on increasing throughput and consequently, their overall ecological footprints, even when attempting to minimise their impacts (p.69). Therefore, this thesis discusses social and environmental disclosures as the preferred epithet.

3. IMPORTANCE OF THE TOPIC

3.1 Understanding organisations' opinions of assurance

The decision and underlying reasons behind organisations choosing to obtain or forgo assurance for their social and environmental disclosures is a fascinating, relatively unexplored issue within the accounting literature. It is important to understand organisations' beliefs about the importance of assurance and to what degree they believe their stakeholders value its presence or notice its absence. It is also important to understand how organisations believe they are able to provide credible disclosures when assurance is absent, as these understandings will help to uncover the underlying reasons for the changing patterns of assurance in New Zealand. Additionally, understanding organisation's opinions about assurance will help to gauge whether the currently low assurance rate will increase or possibly continue to fall in the near future.

3.2 New Zealand's general absence from prior assurance studies

There has been a small amount of literature documenting the increase in social and environmental reporting and of its assurance worldwide. These include KPMG's triennial surveys of worldwide corporate environmental reporting studies, Corporate Register (2008), Simnett, Vanstraelen, and Chua (2009), and Kolk and Perego (2010). However, these papers and reports do not specifically deal with New Zealand. Only KPMG's (2011) latest survey investigates New Zealand specifically (by reporting on the top 100 New Zealand organisations), as KPMG have not included New Zealand in their triennial survey since 1996 (Milne, Owen, and Tilt, 2001, p.2). Corporate Register (2008) likely includes New Zealand organisations in their underlying data but only report on Australasia as a whole. Simnett et al. (2009) included only 11 New Zealand reporting organisations, finding that three of these had assurance, and New Zealand was not included in Kolk and Perego (2010).

As social and environmental reporting grows globally, it is important to understand how organisations across different countries have executed this type of reporting, as many factors differ from country to country. Darnall et al. (2009) calls for further research into whether the use of social and environmental disclosure assurance is influenced by national culture (p.185), so it is of relative importance how New Zealand is responding to third-party assurance of social and

environmental information, as it is clearly against current international trends.

Jones and Solomon (2010) note that there has been little research into the views of management's decision on whether or not to seek external assurance, particularly of interview-based work, as most work in this area has been desk-bound empirical studies (p.21). Park and Brorson (2005) have performed a similar study to this thesis, which sought social and environmental reporting organisations' and their assurance providers' opinions on the value and take up of assurance and future drivers for assurance. However, this was in a different contextual setting of Sweden, although having a reported decline from roughly 30 percent to just over 20 percent of externally communicated assured disclosures between 2000 and 2003. It should be noted also that Sweden currently enjoys a much higher instance of assurance, with 42 percent of their social and environmental reports including assurance (KPMG, 2011, p.29). This is in stark contrast to the much lower 19 percent figure of New Zealand from the same study. KPMG (2011) also reports that Sweden also has a much higher incidence of social and environmental reporting than New Zealand (p.10). Owen, Chapple, and Urzola (2009) has also investigated current issues in social and environmental disclosure assurance, which included interviews with organisations about their reasons for commissioning assurance, the potential benefits received from it, and reasons for their choice of assurance provider. Jones and Solomon (2010) investigated whether UK organisations considered social and environmental disclosure assurance necessary, appear to have sought answers in this area to date. The most recent study is Higgins et al. (2011) who conducted a telephone survey with Australian organisations about social and environmental reporting in general, which included discussion about reasons for adopting and not adopting assurance. Overall, this thesis supports and adds to this body of prior work through qualitatively investigating similar areas.

This thesis also adds to the small body of literature regarding social and environmental assurance in general. Studies have focused on assurance statement content variability across countries (Deegan, Cooper, and Shelly, 2006a, 2006b), and the content of these social and environmental assurance statements in general (Darnall, Seol, and Sarkis, 2009; Mock, Strohm and Swartz, 2007; O'Dwyer and Owen, 2005; Simnett et al., 2009). These studies help to determine whether New Zealand's assurance practice differs from international practice. Additionally, Kolk and Perego

(2010) call for future research examining the quality of social and environmental assurance statements (p.195), while Hodge et al. (2009) found that current social and environmental assurance practices need improvement (p.188). This thesis provides current assurance providers the opportunity to reflect upon whether there are any issues relating to current assurance practice. Additionally, organisations who have formerly assured their social and environmental information and since ceased will have the opportunity to discuss whether they found the assurance engagement and assurance statement to be lacking in value.

Other studies have focused on stakeholder perceptions of social and environmental assurance statements (Hodge, Subramaniam, and Stewart, 2009; Kuruppu and Milne, 2010; Robertson, 2010). Findings from this thesis will be beneficial in regards to stakeholder perceptions, as it provides a current understanding of reporting organisations' beliefs regarding how stakeholders perceive the presence and value of an assurance statement. There have also been limited interview-based studies seeking the opinions of assurance providers. O'Dwyer, Owen, and Unerman (2011) focused on enhancement of processes and practices to add legitimacy to the actions of the assurance providers themselves. This thesis contributes new opinions from New Zealand's assurance providers who are operating in a starved assurance market, which could produce insightful comments regarding how the assurance engagement could be enhanced to provide more value to clients. Additionally, Edgley, Jones, and Solomon (2010) questioned assurance providers on the extent social and environmental assurance is adding value for stakeholders, where this thesis aims to understand how assurance adds value to stakeholders from both assurance provider's and organisations' perspectives.

4. LITERATURE REVIEW

4.1 Introduction

The literature review provides a brief overview of social and environmental reporting and third-party assurance. Literature is used to highlight the possible demands from stakeholders concerning both the voluntary production of social and environmental information, as well as the assurance of that information. Additionally, literature regarding the problems with current third-party assurance practices are presented to illustrate how the third-party assurance engagement may be restricted in its worth to organisations. Finally, current international assurance adoption figures are discussed to illustrate the differences between New Zealand and other countries, showing that New Zealand lags behind many other countries.

4.2 Corporate social and environmental reporting evolution

The 1990s saw a rise in voluntary corporate environmental reporting, and while corporate social reporting dates back to the 1970s, it also re-emerged during the 1990s (Chapman and Milne, 2004, p.1). These two practices have since evolved into triple bottom line reporting which includes social, environmental and financial reporting, which are commonly presented in a separate section within the Annual Report or as a stand-alone report. Reports are now increasingly evolving internationally into an integrated report covering a full picture of an organisation's comprehensive business performance (KPMG, 2011, p.23). Alternatively, the social and environmental information can be presented in a stand-alone report, often referred to as a sustainability report, or corporate social responsibility report. Another option is to disclose this information on the organisation's website in a 'sustainability' or 'corporate social responsibility' type section. These social and environmental reports now appear regularly on websites, duplicating or more often supplanting printed copies (Morhardt, 2010, p.436), causing websites to be the best place to find this information. Organisations are also beginning to utilise multiple forms of media to communicate social and environmental performance, especially as communication of results to stakeholders poses an ongoing challenge. However, there is not yet a standard approach or media used to achieve this (KPMG, 2011, p.20).

Disclosure of social and environmental information is now common practice for most multi-

national organisations, where KPMG (2011) discovered that 95 percent of the world's 250 largest organisations (G250 organisations¹) voluntarily report on their social and environmental performance, up from 64 percent in 2005, and 83 percent in 2008 (p.6). They have also witnessed an increase in the percentage of social and environmental reporters from each of the 34 countries in their survey by monitoring the top 100 organisations from each of the countries (N100 organisations²) Overall, these N100 organisations have increased from 53 percent in 2008 to 64 percent in 2011 (p.7).

4.3 GRI guidance

One particularly influential organisation on the development of social and environmental reporting has been the Global Reporting Initiative (GRI) who developed the first draft standards for this style of reporting in 2000 (GRI G1), and have since released new revisions of the standards in 2002 (GRI G2) and again in 2006 (GRI G3) (GRI, 2006,p.2). The GRI are looking to release their new version, the GRI G4 during 2013 (GRI, 2011b, p.2). The GRI G3 is currently the industry standard for organisations compiling social and environmental report information, with nearly 1800 users worldwide (GRI, 2010, p.2). The GRI's standards are of a flexible manner allowing organisations to apply only specific aspects of the framework that they see fit, as well as some mandatory guidelines, and an organisation is able to claim the report was prepared in accordance with the GRI Guidelines if they believe they meet these requirements, or can have a third party or the GRI check and verify this claim.

However, the GRI G2 made stating policy and current practice of assurance a core item to report (GRI, 2002, p.41), which was subsequently changed to an optional item in the GRI G3 revision. The GRI G3 introduced a grading system for reporting with A,B and C compliance levels, as well as a plus (+) for indicating the presence of independent assurance (GRI, 2011a, p.5). Fonseca (2011) stated that this treatment provides an incentive for obtaining assurance (p.7). However, this treatment of assurance also provides legitimacy for non-assured social and environmental reports

¹ KPMG (2011) state that G250 organisations are comprised of the top 250 organisations listed on the Fortune Global 500 for 2010 (p.32).

² KPMG (2011) states that N100 organisations in each of the 34 countries were identified "...using revenue rankings from a recognized national source. In some instances, where a ranking was not available or was incomplete, substitutes such as market capitalization or other sector-appropriate measures were used to compile or complete the revenue ranking list. All corporations were eligible to be included, regardless of ownership structure or operational structure." (p.32)

through providing GRI compliance accreditation. Additionally, the GRI G3 offers limited guidance on how assurance should be carried out, with no guidance given on the required scope of assurance engagements. Lack of guidance leads to questions regarding what is being assured in each individual report is potentially harming the comparability between organisation's reports, credibility of disclosures, and the usefulness of assurance for stakeholders (Fonseca, 2011, p.7). It will be interesting to see what happens to the treatment of independent assurance in the upcoming GRI G4 revision. This could be an influencing factor for organisations in their decision to acquire or forgo assurance.

4.4 Importance of social and environmental reporting

Social and environmental reporting can be an effective way of promoting an organisation as responsible, capable and honest to their various stakeholders. These reports aim to transparently disclose an organisation's social and environmental impacts, performance, and future initiatives which can (if believed to be credible) provide positive support for those with interests in the reporting organisation, and could be influential in helping to curb negative opinions. Bartels, Ianssen-Rogers, and Kuszewski (2008) conducted an online survey of social and environmental report readership, discovering that 85 percent of report users had gained a more positive perception of the organisation after reading the report (p.2) which indicates that these disclosures are firstly taken into account by readers, and additionally improve user perceptions of the organisation. Additionally, the process of social and environmental reporting can also drive innovation and promote learning, which can help organisations grow and increase in value (KPMG, 2011, p.2).

Social and environmental disclosures also provide broad, open communication to any interested party. As stakeholder identification can be problematic due to the potentially broad range of interested parties, and direct engagement with every stakeholder is not entirely practical, these disclosures fill this gap by being available for anyone's perusal. However, the reporting process does not provide for genuine stakeholder participation as the communication is generally one way information feeds (Owen, Swift, and Hunt, 2001, p.275; Milne et al., 2001, p.10), where concerns have been raised over the extent to which disclosures are used to capture and manage external stakeholders (Owen et al., 2000, p.87; Owen et al., 2001, p.275). Social and environmental

disclosures have also been lacking in genuine stakeholder participation through presenting insufficient disclosures (O'Dwyer et al., 2005, p.26). As such, it is often supplementary to, and not a replacement for genuine stakeholder interaction with key stakeholders.

4.5 Voluntary assurance

Due to social and environmental reporting's completely voluntary nature, there is no requirement to have this information assured by an independent third-party. Even mandatory carbon disclosures under New Zealand's Emissions Trading Scheme (ETS) involve voluntary assurance (NZEUR, 2011, n.p.). Thus, it is up to the reporting organisation as the prime mover in the adoption of assurance, as they set the social and environmental reporting agenda, collect and process the data and prepare the reports. It is only after these stages that assurance adoption can be considered, where the organisation, not the assurance provider, will dictate the level of assurance to be administered (Jones and Solomon, 2010, p.21).

4.6 What constitutes external third-party assurance?

Assurance providers conduct an 'assurance engagement' which is the process of ensuring that there are no material misstatements present, to varying degrees of confidence. The assurance providers' opinion is then stated in an 'assurance statement', commonly presented at the end of organisations' social and environmental reports. The frequently used non-accountant assurance standard, the AA1000 AS by AccountAbility (2008) defines assurance as "the methods and processes employed by an assurance provider to evaluate an organisation's public disclosures about its performance as well as underlying systems, data and processes against suitable criteria and standards in order to increase the credibility of public disclosure. Assurance includes the communication of the results of the assurance process in an assurance statement" (p.23). The assurance statement is generally included within the social and environmental report, although sometimes produced as a separate document, where it provides an opinion stating that the report is free from material misstatement. Thus, assurance could be useful as it shows that an additional level of checks and rigour have gone into creating the report, which has been independently questioned.

Gray (2000) outlines four broad types of assurance that can exist, categorised by whom the report

is compiled by and for the consumption of. These are, (1) internal assurance engagements for internal participants of the organisation, (2) external assurance for internal participants, (3) external assurance engagements for external participants, and (4) internal assurance engagements for external participants (p.251). The first category, assurance of internal reporting for internal participants is a common practice sought from time to time for a number of purposes. These purposes include checking whether the organisation is complying with legal regulations, its own standards and principles, is exposed to unexpected risks, or what opportunities are being missed. The second category, assurance of external reporting for internal participants has many similarities to the first category, except that outside expertise is sought to assist the process. The main difference lies in regulatory obligations that have to be undertaken, yet not necessarily made public. Another example of this type of assurance is named as 'silent third-party assurance' by Park and Brorson (2005), where they discovered that some social and environmental reporters had sought assurance over these disclosures, yet did not communicate this externally (p.1099). The third category of assurance for external reporting for external participants is where a public assurance report is prepared by an external third-party often without consent from the organisation, for external stakeholders (for example, Save Happy Valley Coalition's (2006) Environmental Report regarding Solid Energy). Gray (2000) notes this form of assurance represents societies response to a failure of accountability, although the balance, accuracy and bias of this form of assurance can be called into question. The final category, assurance of internal reporting for external participants is the most visible form of reporting and assurance for stakeholders, and is the assurance of publicly made social and environmental disclosures which, similar to Gray (2000), is the main focus of this thesis (p.251).

4.7 Stakeholder Panels

A recent development has been the use of stakeholder panels to provide assurance on the reported information. For example URS NZ have been using this method for their last several reports, and Meridian Energy had also recently switched from external assurance to solely holding a stakeholder review panel (Meridian Energy, 2009, p.139), although this appears to have been phased out. Stakeholder review panels help to extend corporate accountability by including stakeholders in the reporting and assurance process, allowing them to comment on the report's completeness, materiality, and reliability. This improves the report's credibility through letting

stakeholders define the terms of accountability in the relationship between organisation and stakeholder (Gray, Dey, Owen, Evans, and Zadek, 1997, p.337). Stakeholders often have minimal inclusion in the reporting process, which makes stakeholder panels a good way to gain their input, where reports may appear incomplete without stakeholder involvement, and stakeholder panels are arguably the only way organisations can learn how to solve this information gap (Azzone, Brophy, Noci, Welford, and Young, 1997, p.700). However, stakeholder panels do not assure accuracy of the underlying data and process of collection, thus while stakeholder panels are important, perhaps they should not take the place of external assurance, and instead exist alongside each other.

Other similar commentaries of reports conducted by third parties are also not formal assurance, unless they provide a statement regarding the reported information as being free from material misstatements. For example, Landcare Research provides independent commentary offering recommendations of the report in The Warehouse's (2004) Triple Bottom Line Report, but Landcare Research does not comment on the report's completeness, or investigates the underlying processes for the reported figures (p.39).

4.8 Assurance provider types and standards used

Assurance providers (undertaking category 4 assurance engagements as described in section 3.7) for social and environmental information come from a variety of backgrounds, where most commonly consultants and accountants have performed this action. Social and environmental assurance was predominately provided by consultants in the late 1990's, but this has significantly changed over time (O'Dwyer and Owen, 2005, p.213), where accountants were once reluctant to enter this field (De Moor and De Beelde, 2005, p.211), but are now assuring a higher proportion of social and environmental reports each year (KPMG, 2008, p.65; KPMG, 2011, p.30). Currently, accountants are assuring 71 percent of the G250 organisation market, and 64 percent of N100 organisations (KPMG, 2011, p.30). However, it must be noted that in Australia, New Zealand's closest trading partner, consultants still appear to conduct the majority of assurance engagements where Banarra and Net Balance are very prominent providers. New Zealand's five currently assured social and environmental reporters are assured by a relatively even mix of consultants and accountancy firms. The choice of assurance provider impacts on the scope and work undertaken as

they can adhere to a variety of standards, where AA1000 AS and the International Auditing and Assurance Standards Board's ISAE 3000 standard are most prevalent (CorporateRegister.com, 2008, p.12). The assurance provider choice and their associated standards used impact the overall social and environmental report as it is unlikely that these standards deliver the same results or communication due to their underlying methodological differences (Iansen-Rogers and Oelschlaegel, 2005, p.2).

Chartered Accountants must follow ISAE 3000 as set out by their governing bodies when conducting non-financial assurance engagements (Jones and Solomon, 2010, pp.20-21). However, ISAE 3000 is not specifically designed for social and environmental information as it is intended for use with a multitude of non-financial disclosures (Manetti and Becatti, 2009, p.292). ISAE 3000 states that there are two levels of assurance, reasonable or limited, that can be provided. The amount of work undertaken governs which level of assurance is given. The phrasing of the final assurance statement differs on the level of assurance given, where assurance statements are either positively (reasonable assurance) or negatively (limited assurance) framed. Positive framing is where statements are true and fair, whereas negative framing is where there has been no material misstatements in the items checked, giving a less confident outcome to the party relying on the assurance (International Federation of Accountants, 2005, paragraph 2). Positive and negative framing could be of concern to stakeholders, as negatively phrased assurance provides less confidence to the report user that the information presented is materially accurate and complete.

Alternatively, organisations can engage environmental consultants to assure their report, who are not bound to any specific standard. They will use standards as guidance, and, although 42 percent of social and environmental assurance statements do not state the framework used, it appears that environmental consultant favour AA1000 AS (Mock et al., 2007, p.71). However, every standard has weaknesses and strengths (Fonseca, 2010, n.p.), and assurance providers may use a combination of these guidelines, where AA1000 AS and ISAE 3000 are complementary standards likely to deliver enhanced results when combined (Iansen-Rogers and Oelschlaegel, 2005, p.1).

4.9 The importance and benefits of assurance

Social and environmental reports are only useful if they are credible in the eyes of the reader,

where credibility and reliability are perhaps best enhanced through independent, external assurance (AccountAbility, 2008, p.6). It appears that organisations that commission assurance support this statement, as they have indicated that enhanced credibility is the leading benefit received from gaining external assurance (KPMG, 2011, p.3). Credibility is needed for the report, as without it the report will not serve the demands of stakeholders for effective accountability and transparent information (Dando and Swift, 2003, p.195). Given that social and environmental reporting is voluntary and largely unregulated, assurance arguably becomes increasingly important to curb organisations from engaging in impression management. Impression management is the act of managers using disclosures to give a more favourable view of an organisation's impacts and performance than is actually warranted (Jones and Solomon, 2010, p.21). In the past at least some organisations have creatively managed their reports by emphasising the positive aspects, while obscuring or omitting the negatives. This is likely why information inside social and environmental reports are often viewed apprehensively as 'green-wash' by stakeholders (Laufer, 2003, p.255). Assurance, then, may help to dispel stakeholder beliefs of social and environmental reporting as being merely a public relations exercise without substance (Commission of the European Communities, 2001, p.18). Chapman and Milne (2004) note that organisations need to consider assurance for their reporting to answer the question of "why would anyone want to believe what we have to say about our performance?" (p.9). Although, it must be noted that the presence of assurance alone may not solve this issue due to lack of assurance and disclosure standards within social and environmental reporting.

Nonetheless, whether the presence of an assurance statement actually makes reports more credible is currently debated, with differing results from experimental studies. While Carey, Simnett, and Tanewski (2000) and Hodge et al. (2009) find strong support for assurance statements adding greater credibility, Kuruppu and Milne (2010) discovered organisations (in the perceptions of students) did not lose credibility without assurance, although its presence helped reduce negative opinions (p.13).

Going through the assurance process may also have other benefits to the reporting organisation and for its disclosures. KPMG's (2011) survey discovered that credibility was the main benefit, but also that assurance improves the quality of the reported information, and organisations' overall

reporting processes (KPMG, 2011, p.30). Moroney, Windsor, and Aw (2011) found that assurance was linked to improved quality of social and environmental disclosures in a study of Australian organisations (p.25). Therefore, there is an internal benefit gained from obtaining assurance, as well as the main external benefit of added credibility.

4.10 Users of social and environmental information defined

Active readers of social and environmental reports meet the broad definition of stakeholder, where “...any group or individual who can affect or is affected by the achievement of the organization's objectives” (Freeman, 1984, p.46) constitutes a stakeholder. There are several key groups of stakeholders with an interest in social and environmental reporting, namely: managers, investors, business partners, and also other non-financial stakeholders such as Government organisations, NGOs, community groups, competitors, and members of the general public. Although stakeholders can be a broad category, Mitchell, Agle, and Wood (1997) describe how they can be influential to organisations through obtaining power, legitimacy or urgency. These categories show how stakeholders who may not necessarily be the shareholders can become influential to organisations' performance (pp.865-867). For example, in New Zealand all stakeholders can obtain power, legitimacy and urgency during resource consent applications under the *Resource Management Act 1991* (RMA 1991), as all submissions made by interested stakeholders to an organisation's application are potentially taken into account in the decision. Strong opposition by submitters presenting significant impacts can greatly impact the success of proposals (Graham, Stephenson, and Smith, 2009, p.3349). Recent examples of non-financial stakeholders influencing an organisations performance through making submissions against resource consent applications can be seen in Meridian Energy's Project Hayes³ which was originally granted consent, then appealed to the Environment Court by 11 parties and subsequently declined consent (Van Kempen, 2011, n.p.). The Project Hayes proposal was then officially withdrawn 6 years after it was originally announced after a lengthy court battle (Edens, 2012, n.p.). Thus, a multitude of readers may be interested in an organisation's performance, where these stakeholders, no matter how disparate, can have a form of influence over an organisation.

³ Project Hayes was a 176-turbine, 633 megawatt windfarm proposed to be built in New Zealand's Lammermoor Range (Edens, 2012, n.p.).

4.11 Who uses social and environmental information and do they seek assurance?

Bartels et al. (2008) conducted a comprehensive study investigating social and environmental report readership, discovering that most respondents were from business backgrounds, however consultancy, civil society, research/academic, investment/rating, individuals, and public agencies also have enjoyed notable interest (p.5), and that almost 30 percent of respondents use social and environmental reports to make informed decisions and take action on the basis of it (p.9). Additionally, Bartels et al. (2008) found support that assurance of social and environmental reporting was important for the respondents (p.22). Other studies have also found that a range of stakeholders use and rely on information presented in social and environmental reports, namely investors (De Villiers and Van Staden, 2010), business partners (Azzone et al., 1997), and may include other non-financial stakeholders such as NGOs (Tilt, 1994; Tilt, 2004; Danastas and Gadenne, 2006), community groups (Azzone et al., 1997), competitors, and members of the general public.

Looking at each main category of stakeholder further starting with individual shareholders illustrates how these stakeholders have been documented by prior literature as users of social and environmental reporting, and how they can be a driver for organisations seeking the external assurance of reported information. De Villiers and Van Staden (2010) investigated whether individual shareholders across the US, UK and Australia used environmental disclosures for financial decision-making. Findings showed that the majority of respondents in all countries required the disclosure of environmental information, and that between 64 to 74 percent of the respondents viewed these disclosures as material for their financial decision-making (p.234). The majority of shareholders cited accountability as a main reason for wanting environmental disclosures, and more than two thirds wanted the information for investment decision-making (p.237). Assurance for this information was also highly sought, where 53 percent of US respondents, 55 percent of UK respondents, and 70 percent of Australian respondents wanted assurance of this information, mainly to reduce information asymmetry between shareholders and management (pp.237-238).

Business partners such as supply chain stakeholders require disclosure to gain knowledge on how

environmentally and socially responsible an organisation is, that the products and processes are free from litigious risk, and information regarding life-cycle assessment of products (Azzone et al., 1997, p.705). Darnall et al. (2009) found that supply chain stakeholders were influential in the adoption of assurance for social and environmental reporting (p.183).

Tilt (1994) provided evidence that NGOs use social and environmental report information, where 82 percent of respondents had read some kind of corporate social disclosure (p.58), which was also a similar finding in Tilt (2004) and Danastas and Gadenne (2006). However, NGOs do not believe current social and environmental reporting is particularly credible, and hence not as useful as it potentially could be (Tilt, 2004, p.17). Deegan and Rankin (1997) found that 83 percent of NGOs believed environmental disclosures were material in their decision-making (p.572). NGOs use social and environmental reports to discover organisation impacts on the environment, and to a lesser extent resource conservation, community involvement, products and human resources (Danastas and Gadenne, 2006, p.91). O'Dwyer, Unerman, and Bradley (2005), also discovered that NGOs believed assurance was necessary, as it ensured 'true' accountability (p.26).

Local communities are also often interested in social and environmental information, where information on environmental impacts from plants operating in their geographical area, legal compliance, information about future 'green' strategies, and investment in the local community are sought after (Azzone et al., 1997, p.704).

4.12 International assurance adoption rates

KPMG (2011), by investigating reports between mid-2010 and mid-2011, or 2009 if that was the most current (p.32), discovered that currently 46 percent of the G250 organisations acquire assurance for their social and environmental disclosures (p.28). This shows a continued increase over time where 40 percent of G250 organisations obtained assurance in 2008, 30 percent in 2005, and 29 percent in 2002 (KPMG, 2008, p.56). For N100 organisations (the largest 100 organisations in each country surveyed), the 2011 study found 38 percent had assurance of their social and environmental disclosures (KPMG, 2011, p.28), which was 1 percent below the 2008 assurance percentage for N100 organisations, after rising from 33 percent in 2005 and 29 percent in 2002 (KPMG, 2008, p.56). The 1 percent decrease is likely attributable to the several new countries

being included in the N100 organisations totals for 2011. Another prior study, Simnett et al. (2009), discovered that of 2113 social and environmental reports sampled from the period of 2002-2004, only 31 percent contained assurance (p.945).

Looking at New Zealand, KPMG (2011) revealed that only 19 percent of the 27 social and environmental reporting organisations included in New Zealand's N100 had assurance over their social and environmental disclosures. This ranked New Zealand 30th out of the 34 countries in the survey (p.29). Due to New Zealand not being a part of their prior 2008, 2005, or 2002 studies, only Simnett et al. (2009) provides information on the country's prior assurance percentages. They found that 27 percent of these disclosures had assurance (p.948); however only 11 of New Zealand's social and environmental reports were included in the Simnett et al. (2009) sample, suggesting 3 reporters undertook assurance.

The leading figures for countries with assured social and environmental disclosures are (based on social and environmental reporting N100 organisations) India with 80 percent, South Korea with 75 percent, Denmark and Spain have 65 percent, Italy has 64, France has 60, The United Kingdom has 56, and our closest trading partner, Australia has 51 percent of their social and environmental disclosures assured (KPMG, 2011, p.29). These figures clearly show the low percentage of social and environmental assurance adoption in New Zealand against the world leaders. By comparison, New Zealand is equal to Ukraine with 19 percent, and is ahead of only Nigeria with 14 percent, the United States and Russia with 13, and Singapore with only 7 percent of social and environmental disclosures being assured (KPMG, 2011, p.29).

4.13 Differing reporting climates affect assurance adoption

Prior literature has indicated some causal attributes to explain the differing rates of assurance adoption across countries. The main article in this area is Kolk and Perego (2010), which discovered that organisations were more likely to obtain social and environmental assurance in countries that had weak or absent legal mechanisms, were stakeholder-oriented, or had a high awareness of sustainability (p.194). Simnett et al. (2009) categorised New Zealand as shareholder-oriented, and with good legal mechanisms (p.948), indicating that these are probably country factors related to New Zealand's low social and environmental disclosure assurance rate. Meanwhile, Kolk and

Perego (2010) used the National Corporate Responsibility Index computed by AccountAbility (2005) to measure country awareness and desire for sustainability, as it was, "...one of the only available indices that attempts to capture variation in country regimes with respect to a broad range of social and environmental-related institutional factors" (p.189). Use of this index as a proxy classifies New Zealand as having a high awareness of social and environmental performance, with New Zealand listed 11th out of the 83 countries (AccountAbility, 2005, p.108). Additionally, Research New Zealand (2007) studied New Zealanders current awareness, knowledge and attitudes towards sustainability, discovering that around 50 percent of New Zealanders "...appear to have sustainability on their radar, but only one in four New Zealanders admit to following the conversation closely" (p.3). Additionally, many New Zealanders struggled to understand what sustainability was about or had a limited understanding, and 83 percent of the public agreed or strongly agreed with the principles of sustainability. However, only 25 percent identified individuals as being in a good position to impact on New Zealand's sustainability, with Government and local councils being identified as being in the best position to make an impact (p.3). Overall, the findings of Research New Zealand (2007) also indicate that New Zealand may have a reasonably high awareness of sustainability. Ultimately, these main three characteristic findings by Kolk and Perego (2010) only begin to attempt to understand and describe national differences of assurance rates, as there are likely many underlying factors within each country that is affecting social and environmental reporting disclosures and its assurance adoption.

4.14 Organisation-specific reasons for adopting assurance

Worldwide assurance trends also reveal that environmentally sensitive industries such as oil and gas, chemicals and synthetics, and mining have higher percentages of assurance, and that this is likely attributable to their negative environmental impacts and high media attention (KPMG, 2008, p.61). Simnett et al. (2009) also discovered that large organisations were significantly more likely to have their social and environmental reports assured (p.956). Park and Brorson (2005) also noted that assured Swedish organisations had stated that assurance was important for those operating in high public scrutiny industries (p.1099). However, it must be noted that not all large organisations acquire formal external assurance. For example, Royal Dutch Shell engages an external panel of stakeholders (Royal Dutch Shell, 2010, p.36). Similarly, small to medium enterprises (SME) in New Zealand have sought assurance in the past (for example, Urgent Couriers, 2001).

4.15 Why do some organisations choose not to obtain assurance?

A small number of interview-based studies have been dedicated to why organisations choose not to acquire assurance. Jones and Solomon (2010), Owen et al. (2009), and Park and Brorson (2005) are the main literature in this area. Park and Brorson (2005) discovered organisations had four main arguments for not seeking assurance, namely the assurance fee being too high (31 percent of respondents), assurance did not add any extra value (31 percent), the organisation was not ready to implement assurance into their reporting system (25 percent), and there was no pressure for it (13 percent) (p.1100).

Managers identify two elements of cost. Firstly, the direct cost of the assurance engagements and, second, the indirect cost of management time, coupled with the increased scope of the assurance process (Jones and Solomon, 2010, p.27). While costs of assurance are easily ascertained, the benefits provided are more difficult to measure (Park and Brorson, 2005, p.1102). Organisations may not believe the benefits received from assurance outweigh the costs involved. Jones and Solomon (2010) discovered that generally social and environmental reporting was less important compared to financial information, which made social and environmental assurance less important and the cost of which to be less readily agreed upon to pay (p.28). Additionally, Owen et al. (2009) found that corporate representative interviewees were unanimous in stating that social and environmental report assurance must provide value for money, and that cost is the overriding factor to consider. This cost, it was argued, must be borne from the overall budget set aside for social and environmental reporting (p.21).

Another reason for lack of assurance is that social and environmental reporting is still in its infancy and underdeveloped for many organisations. These organisations find that their social and environmental reporting is insufficiently developed to merit assurance, and that effective assurance was dependent on the underlying social and environmental reporting processes which were inadequate to permit assurance. In the long-term assurance was seen as a possibility (Jones and Solomon, 2010, p.28). The NZBCSD describe social and environmental reporting as a 'journey' (Milne, Kearins, and Walton, 2006, p.814), and perhaps many businesses are yet to reach the stage of their journey where assurance is added. However, it is also notable that many long-term

reporters do not assure, and never have.

Another reason presented in Park and Brorson (2005) was that there was no pressuring need felt by mainly smaller organisations, believing that assurance is only required of big multi-national organisations (p.1100). This suggests that organisations would be open to obtaining assurance if they believed there was an urgent need, but currently for many organisations this does not exist.

Some organisations were not sure if assurance was adding value. Organisations relying on this argument were confident in their reporting, and sure that the information presented was credible. These organisations used other measures to ensure report quality and completeness, for example internal quality control, and following the GRI guidelines for social and environmental reporting (Park and Brorson, 2005, p.1100). Additionally, there are some organisations that are relying on other forms of accreditation or types of assurance such as stakeholder panels.

4.16 Lack of experienced professionals?

In the United States, reporting organisations have had difficulty finding assurance providers with expertise in sustainability, and organisations also face the challenge of identifying competent assurance providers globally (Fonseca, 2011, p.19). While there are trained professionals specialising in social and environmental assurance in New Zealand, perhaps there are few of these individuals, and a general lack of expertise. One formerly prominent assurance provider in New Zealand, URS NZ, has ceased assurance engagements, resulting in a relatively small pool of assurance providers. The Big 4 accountancy firms, of which it appears only PwC and Deloitte are currently operating in full assurance of social and environmental information, and the consultancies Tonkin and Taylor, and ERM appear the only providers. This could potentially be a driving factor of why more external assurance in New Zealand is not performed. However, many other firms undertake smaller scope assurance engagements, such as carbon assurance, carboNZero certification auditing, or environmental assurance, and could potentially provide a larger scoped assurance engagement if requested. Depending on the cost, it is possible that Australian assurance providers could perform these engagements (for example, Westpac New Zealand, 2007, was assured by Banarra).

4.17 Potential assurance issues

The following section details potential issues regarding external assurance that could be reducing the potential value of the assurance engagement for reporting organisations. Chapman and Milne (2004) state “If organizations want stakeholders to take their claims about honesty, transparency, and warts and all reporting seriously, then the practices and standards of external verification need to improve dramatically.” (p.10). These issues are: who the assurance is provided by (for example, Adams and Evans, 2004), managerial capture (for example, Ball et al., 2000), and lack of regulation and standards used allowing differential assurance practices (for example, Fonseca, 2011).

4.17.1 Does assurance provider choice affect perceived value?

The choice of assurance provider may have a bearing on whether the assurance is credible, and ultimately whether it adds value. Assurance providers must have knowledge of assurance, audit processes and sampling, understand their client’s business environment and performance measurement issues, and must also provide value to the stakeholders (Adams and Evans, 2004, p.111). Wallage (2000) discusses the relative advantages accountants possess over environmental consultants, where support from their professional bodies create a reliable reputation, independence, necessary skills to review information systems, verify data, and report to external stakeholders (p.64). De Moor and De Beelde (2005) believe that accountants’ ethical standards and reporting processes may help to improve stakeholders’ low opinions of reports (p.215). Simnett et al. (2009) add that specialists are cheaper to hire and could be employed by the profession if required (p.952). Gray (2000) also believes that accountants are best suited due to their professionalism, except that they appear to be unable to apply their skills when engaging in social and environmental audits, and that while non-accountants are unable to provide readers with significant assurance as to the substance of the report, accountants appear to be quite poor at this too (pp.248, 262). ISAE 3000 has come into force since Gray’s (2000) paper, establishing basic principles and essential procedures for accountants performing engagements other than financial audits or reviewing historical financial information (IFAC, 2005, paragraph 1). This may have addressed accountants’ inability to apply their skills when providing social and environmental assurance. However, ISAE 3000 is not specifically designed for social and environmental assurance engagements, so Gray’s (2000) critique may still stand. The literature does not show any clear trend of credibility increasing as accountants undertake a bigger percentage of assurance

engagements worldwide, and Moroney et al. (2011) found no significant difference in the quality of reporting between Australian accountant and consultant assured reports (p.25).

Research into stakeholders' perceptions of assurance providers has produced interesting results. O'Dwyer, Unerman, and Bradley (2005) discovered that NGOs were critical of accountants providing assurance (p.26), while Hodge et al. (2009) found that accountants were marginally favoured (p.189). If some assurance providers are perceived as less credible, then the assurance provided by them will suffer and be worth less value, making assurance less appealing in the eyes of reporting organisations.

4.17.2 Managerial capture

Assurance providers appear to establish a 'business case' for their auditing practices, tailoring their processes to their clients' requirements with the aim of adding value to the report (Owen et al., 2000, p.88). This leaves the assurance process prone to management capture, where the reporting organisation has the ability to control important aspects of the assurance process including scope of the engagement, disclosures, completeness, and attestation of veracity (Ball et al., 2000, p.18). Owen et al. (2000) believe that management capture could allow management to strategically collect and disseminate only the information they deem appropriate to advance the corporate image rather than being truly transparent and accountable to the society it serves (p. 85). Gray (2000) argues that this creates a lack of true independence that may end up doing more harm than good by incorrectly influencing stakeholders (p.258). The latest paper regarding managerial capture by Smith, Haniffa, and Fairbrass (2011) presents a proposed conceptual framework to facilitate an improved understanding of the managerial capture process to help in enabling a precise description, analysis, and evaluation of the dynamics of the process (p.426). This framework will help to address the current lack of analysis into how managerial capture takes place. However, this framework has yet to be put into practice.

Assurance providers are appointed by corporate management rather than by stakeholders or regulators without ratification. While ratification by stakeholders would address the problem of managerial capture, Owen et al. (2009) found there was generally little enthusiasm from stakeholders to do this, or to define the scope of the assurance engagement (p.26). Assurance

providers' independence (or perceived independence) is also tarnished if providing consultation work to the client, creating a situation where they may be assuring their own work. Indeed, the assurance provider may also be involved in the development of the report itself (Deegan et al., 2006b, pp.5-6). This would be unacceptable in financial auditing; however social and environmental assurance is not regulated. Independence issues could greatly impede the credibility of the assurance exercise, making it less valuable in the eyes of stakeholders, which in turn will reduce the benefit to organisations.

4.17.3 Regulation

The lack of regulation in New Zealand surrounding social and environmental reporting and its assurance create a breeding ground for differential reporting, as organisations voluntarily pick and choose which items to report on, whether to have assurance, who to get to provide assurance, what items to assure and, compounding this, the assurance provider is not bound to any specific scope or standard. The exception is accountants, who must follow ISAE 3000, but that does not dictate scope of the engagement. Lack of regulation is potentially harming the adoption of assurance, and social and environmental reporting as a whole by creating major differences among social and environmental reports and their accompanying assurance statements across the board. Such differences undermine the comparability and credibility of the social and environmental disclosures (Fonseca, 2011, p.7; Deegan et al., 2006a, p.341).

Additionally, Ioannou and Serafeim (2011) found evidence to support that regulation making social and environmental disclosures mandatory had positive impacts on corporate behaviour, such as increasing social responsibility of business leaders, prioritising sustainable development and employee training, more efficient board supervision, and increases in ethical practices. This was likely attributable to the fact that certain social and environmental disclosure had to be made and, as such, forced organisations to manage their performance effectively to reduce their negative disclosures (p.29). Sweden is the only country to have any sort of mandatory social and environmental assurance regulation. Since 2009, Swedish State-owned Enterprises (SOE) must report according to the GRI Sustainability Reporting Framework and undertake an independent review (assurance) of their social and environmental reports (Larsson, 2010, p.2). South Africa also strongly encourages assurance through their King Code of Corporate Governance (King III), where

section 9.3 states that social and environmental disclosure should be independently assured (Rea, 2011, p.30). The King III applies to all South African organisations, including privately-owned organisations. However, the King III is not a legal requirement. The King III must however be adhered to as a Johannesburg Stock Exchange listing requirement (SAICA, 2010) and has an 'apply or explain why' approach that encourages adherence (Rea, 2011, p.14). Thus when assurance is not sought, a statement of why should be made. While there have been preliminary findings related to the benefits of regulated reporting, there has been no study regarding how or to what extent mandatory assurance has been influential on the beneficial impacts discovered by Ioannou and Serafeim (2011).

5. STATE OF ASSURANCE AND REPORTING IN NEW ZEALAND

5.1 Current drivers for social and environmental reporting and assurance in New Zealand

Turning to focus specifically on New Zealand, discussion will begin with current promoters of social and environmental reporting and assurance. This is followed by current drivers for assurance within the New Zealand marketplace. Then, a brief history of social and environmental reporting and assurance in New Zealand is documented, and lastly a pilot study indicating New Zealand's current social and environmental reporting and assurance adoption.

5.1.1 Business agencies

The most prominent supporter of social and environmental reporting and assurance in New Zealand has been the New Zealand Business Council for Sustainable Development (NZBCSD). The NZBCSD, founded in 1999, is essentially a business council, and therefore emphasises the business case for voluntarily reporting social and environmental disclosures, as opposed to other cases for sustainable development such as moral, ethical, religious or environmental (NZBCSD, 2002a, p.2). The NZBCSD has been a prominent advocate for social and environmental reporting attempting to be a 'catalyst for change' (NZBCSD, 2002b, p.1), where one of the conditions for being in the Council is publicly releasing social and environmental disclosures within three years of joining (Milne et al., 2009, p.1227). Assurance is also encouraged as best practice social and environmental reporting by the NZBCSD, citing benefits to assurance such as adding credibility to the disclosures, ensuring disclosures are supported by evidence, a data checking function that eliminates errors and assures plausibility of collected data, and increasing the strength and quality in report preparation processes (NZBCSD, 2002b, p.24). However, the NZBCSD recognises that costs and benefits of assurance have to be considered in light of the business case for reporting, where it may be cost prohibitive, in which case independent stakeholder statements may be more appropriate (NZBCSD, 2002b, p.24). When this thesis began, the NZBCSD had 55 members listed in their directory in April 2011 (NZBCSD, 2011, n.p.); however this has now been reduced one year

later to only 36 members as of February 2012 (NZBCSD, 2012, n.p.). Wright (2011) documents a steady decline in NZBCSD membership since 2008, where there were once 75 members (p.2). Membership decline during this time was attributable to the global financial crisis, and organisations receiving questionable benefits. Benefits should have stemmed from lobbying for policy development, but instead conflict arose in this area regarding New Zealand's ETS between some members and the NZBCSD. Many of the larger NZBCSD members cited NZBCSD's 'mismanagement' over the ETS issue as a reason for ceasing membership (Wright, 2011, p.16). It appears that many of these former members have instead joined other sustainability focused business agencies. Some of the exodus from NZBCSD in 2008 came to the agency Business New Zealand seeking mainstream representation on sustainable business matters, establishing Business New Zealand's Sustainable Business Forum (Business New Zealand, 2011, n.p.). However, as of January 1 2012, the NZBCSD and Business New Zealand's Sustainable Business Forum have merged, creating the Sustainable Business Council with part of their vision being a catalyst for "...best practice throughout our business and social communities" and with a goal to "Position New Zealand business & exports for international success" (Business New Zealand, 2012, n.p.). Thus, it remains possible that part of their agenda could be continuing the NZBCSD's championing of social and environmental disclosure, and striving towards international best practice, which includes assurance over these disclosures. Although, it remains to be seen what direction the newly formed Sustainable Business Council will take as far as their stance upon social and environmental reporting and assurance.

Another large sustainability focused agency in New Zealand is the Sustainable Business Network (SBN), which has a large membership of over 450 members (SBN, 2011, n.p.). The SBN has attracted many defecting members from the NZBCSD, while many organisations have also been members of both agencies, where the SBN is more affordable, and with a practical focus towards sustainability offering tools to help businesses change rather than through lobbying (Wright, 2011, p.11). SBN and New Zealand's Ministry for the Environment have developed a guide for triple bottom line reporting (SBN and MfE, 2004) which encourages SMEs to report social and environmental disclosures to inform stakeholders who may otherwise be unaware. It also helps celebrate achievements and is a useful management tool. However, assurance is deemed likely too expensive for SMEs to consider. Instead, the suggestion is to make sure reporting is balanced,

accurate and covers all material areas for stakeholders to ensure credibility (p.25). The SBN does not appear to be a champion for assurance, but do encourage reporting social and environmental disclosures.

There are also other groups publicly articulating notions of sustainable development such as the New Zealand Business Round Table (NZBRT) and the Parliamentary Commissioner for the Environment's Office (PCE). However, these do not champion social and environmental reporting, or its assurance.

5.1.2 Carbon assurance adoption pressure from carboNZero certification and the NZ ETS

Through voluntarily entering the carboNZero certification scheme, over 50 New Zealand organisations are required to obtain assurance of their carbon reporting. Landcare Research's carboNZero programme helps to improve organisational understanding and measurement of greenhouse gas emissions, ensures organisations make a commitment to managing and reducing their emissions, and involves offsetting and mitigating remaining, unavoidable emissions. Organisations can obtain carboNZero certification which externally shows and promotes their commitment to greenhouse gas reduction and offsetting, and an external audit over the data is a requirement for achieving certification (carboNZero, 2012, n.p.). Therefore, carboNZero certification promotes assurance over carbon reporting. Landcare Research also offers CEMARS (certified emissions measurement and reduction scheme) certification, which is similar to carboNZero in the fact that it also requires an external audit over carbon disclosure.

Similarly, New Zealand's Emissions Trading Scheme makes greenhouse gas measurement and reporting mandatory for organisations falling under its mandate. Many large New Zealand organisations fall under the ETS who operate in forestry, energy, industry, and fossil fuel sectors (MfE, 2011, n.p.). However, unlike carboNZero certification, these disclosures are not required to be assured (NZEUR, 2011, n.p.). Therefore, organisations' mandatory response to the ETS does not appear to drive assurance adoption within New Zealand.

5.1.3 Investment community

Another strong driver for assurance of carbon reporting that has a presence in New Zealand is the Carbon Disclosure Project (CDP), a global NGO. The CDP have a strong presence within the investment community, as it boasts a membership of 551 international investors with assets of US\$71 trillion. Some of these investors reside in New Zealand and Australia (CDP, 2011, p.1). CDP also produce their own indices, the Carbon Disclosure Leadership Index and the Carbon Performance Leadership Index, and also have combined indices with the Financial Times and the London Stock Exchange (FTSE) (who also have their own responsibility indices such as the FTSE4Good indices), the FTSE CDP Carbon Strategy Index series (FTSE, 2012, n.p.). The CDP have not made assurance mandatory, but have strongly requested it as, “CDP is committed to increasing the level of verification of emissions disclosures in order to improve the quality of the information submitted by organisations globally” (CDP, 2011, p.34). CDP also rewards assurance of disclosures by rating this highly when considering their indices, and therefore encourages assurance adoption in this regard also (CDP, 2011, p.34). CDP is now also branching out to look at other social and environmental issues, and targeting water usage and supply chains.

5.1.4 ACCA New Zealand Sustainability Reporting Awards

The ACCA New Zealand Sustainability Reporting Awards are held yearly and reward organisations for their efforts towards social and environmental disclosure overall, and in ethical sourcing and product stewardship (ACCA, 2011, p.12). Through judging these reports, in 2011 the judges made comments encouraging organisations to obtain or broaden their external assurance, as this will provide users with confidence that the disclosures are credible and accurate (ACCA, 2011, p.17). Therefore, these awards serve as another source of encouragement and pressure regarding assurance adoption.

5.2 New Zealand’s social and environmental reporting history

Social and environmental reporting has generally been slower to emerge in New Zealand, where from the mid 1990s into the early 2000s organisations had been lagging behind international best practice (Milne et al., 2001, p.2). Milne et al. (2003) set out to examine the report content of eight early social and environmental reports from 2001 and discovered that aside from all but two

organisations, the standard of reporting was poor, especially compared to international best practice. Chapman and Milne (2004) provided a follow-up study examining 30 New Zealand reports from 2002, finding that overall the standard of social and environmental reporting in New Zealand was still poor (p.9). Additionally, Chapman and Milne (2004) found the adoption of social and environmental assurance to be patchy, where only 7 of the 30 organisations in the study had external assurance (p.10). KPMG (2011) provides the most recent documentation of New Zealand's social and environmental climate, reporting that 27 percent of New Zealand's top 100 organisations report social and environmental disclosures, and of these 27 organisations, only 19 percent obtain assurance (pp.11-29).

5.3 Pilot Study: Current state of New Zealand's reporting and assurance percentages

To aid KPMG's (2011) study, and to fill gaps in our understanding of the current state of New Zealand's social and environmental reporting and assurance, further work was conducted as part of this thesis. Through conducting a pilot study, this thesis further illustrates how assurance adoption has been declining over time in the absence of New Zealand data from prior KPMG triennial surveys of worldwide corporate environmental reporting studies.

5.3.1 Pilot Study: Methodology

The pilot study provides an understanding of New Zealand's social and environmental assurance and reporting through using the current NZX top 50 companies (NZX, 2011, n.p.) and current membership of the NZBCSD (NZBCSD, 2011, n.p.) as the core samples. Social and environmental reporting and assurance of these organisations are documented for the years 2001, 2004, 2007 and 2010. These samples include the vast majority of New Zealand's social and environmental reporters, especially those likely to obtain assurance (see Limitations Section 5.3 for further discussion). This pilot study also includes New Zealand's social and environmental reporters who are not present in the NZX or NZBCSD samples through perusing a range of other sources including talking to interviewees, investigating membership of sustainable business groups, submissions to the ACCA New Zealand Sustainability Reporting Awards, the GRI report list 1999-2011 (GRI, 2011c), Google searches, and CorporateRegister.com. These reporters have been added into the overall

percentages. And while it is likely that there are more organisations that produce disclosures which are not included, it is very likely that all comprehensively assured reporters have been included due to the field work involving the small number of assurance providers in New Zealand.

However, the samples also included a few multi-national organisations who prepared multi-national social and environmental reports. These organisations, normally Australasian organisations, create anomalies in the sample, as the Australian and global assurance adoption rates are notably higher. Therefore, these organisations have been removed from the sample to control for any bias.

Additionally, there are many New Zealand organisations which have produced a minimal amount of social and environmental report information, where almost all annual reports mention the environment and community in some small detail, but do not discuss yearly performance or impacts. This type of information or a minimal bare bones amount of disclosures generally do not warrant an assurance engagement. Therefore, these minimal reports have been controlled for when calculating the figures for social and environmental report adoption, where reports with fewer than 4 pages of information are excluded. None of these excluded reports contained assurance statements for their disclosed information.

5.3.2 Pilot Study: Findings

Overall, the pilot study reveals that the number of social and environmental disclosures reported by New Zealand organisations has increased over each three-year period since 2001, and that assurance of these disclosures declined in each period. Starting with a high 40 percent in 2001 of assured reporters, this fell to 33.3 in 2004, 21.2 percent in 2007, and then subsequently followed by a drastic drop to only 13.2 percent.

OVERALL RESULTS (NZX + NZBCSD + OTHER DATA)

	2001			2004			2007			2010		
	Reporting Organisations	Assurance	Assurance Adoption %	Reporting Organisations	Assurance	Assurance Adoption %	Reporting Organisations	Assurance	Assurance Adoption %	Reporting Organisations	Assurance	Assurance Adoption %
Total	19	7	36.8	36	13	36.1	42	12	28.6	50	13	26
Total minus Australian / International reports	15	6	40	30	10	33.3	33	7	21.2	38	5	13.2

Looking at the amount of assurance engagements conducted each year, there was an increase from 6 to 10 between 2001 and 2004, however now this figure has now been halved, with only 5 assured reporters in 2010. This decline could be attributed to two different happenings: Firstly, some multi-national organisations had prepared New Zealand specific assured reports, and have since ceased doing so (two reporters). Secondly, organisations have ceased assurance and continued to report disclosures for some unknown reasons. Thus, this will be sought through interviews with these former reporters and their former assurance providers.

6. SUMMARY AND RESEARCH QUESTIONS

Fundamentally, social and environmental reporting is of voluntary nature. Organisations could have many, varied reasons for reporting these disclosures. For example, prior studies have revealed that stakeholders feel better about a company after reading their disclosures (Bartels et al., 2008, p.2), therefore reporting could be produced for public relations/marketing purposes. Overall, the reason for reporting may influence assurance adoption, as some purposes can be achieved without the need for assurance. Kuruppu and Milne (2010) demonstrated this through discovering that the absence of assurance did not cause a loss of credibility in the eyes of stakeholders (p.13). Comparing the purpose of reporting social and environmental disclosures of assured organisations to those who do not obtain assurance could reveal whether and how assurance is related to purpose of reporting. Therefore, the first research question in studying why New Zealand's social and environmental assurance adoption is so low is:

Why do New Zealand organisations report on their social and environmental performance?

As the pilot study and the results from KPMG (2011) show, many New Zealand organisations have never obtained assurance for their social and environmental disclosures. These organisations, especially long-time reporters, have likely contemplated third-party assurance and considered its costs and benefits. Some have even previously obtained assurance, and have over time stopped, or severely reduced the scope of assurance to covering only carbon disclosure. Park and Brorson (2005) documented four common reasons to not obtain assurance: Namely, the assurance fee being too high, assurance not adding any extra value, the organisation not being ready to implement assurance into their reporting system, and there being no pressuring need for assurance (p.1100). Internationally, organisations operating in environmentally sensitive industries such as oil and gas, chemicals and synthetics, and mining have higher instances of assurance (KPMG, 2008, p.61), and larger organisations have also been indicated as being more likely to obtain assurance (Simnett et al., 2009, p.956). Currently assured organisations obviously have overcome any barriers facing their adoption of assurance. However, as many assured organisations have ceased obtaining assurance in New Zealand over time, perhaps these assured organisations may also be questioning the value of assurance. Therefore, it is important to obtain their opinions as to the value and barriers towards adoption of assurance. Finally, assurance providers are also an

integral part of the assurance equation. New Zealand's assurance providers may provide a differing opinion on why the assurance market is in decline, and why organisations have ceased, or do not obtain assurance. This leads to the second research question:

Why do many New Zealand organisations not seek assurance over their social and environmental disclosures?

After largely establishing the reasons and barriers towards assurance adoption, attention then turns towards the benefits of assurance. Prior literature, such as the Commission of the European Communities (2001) have discussed how assurance is an integral credibility adding function for social and environmental reporting (p.18). Internationally, survey evidence has revealed that organisations believe enhanced credibility is the leading benefit received from assurance of social and environmental disclosures (KPMG, 2011, p.3). However, experimental studies have discovered differing results, where Carey et al. (2000) and Hodge et al. (2009) find strong support for assurance statements adding greater credibility for stakeholders, while Kuruppu and Milne (2010) discovered that companies did not lose credibility without assurance, although its presence helped reduce the impact of negative information (p.13). Internal benefits were also discussed in prior literature, where assurance was noted to improve quality of disclosures, and even improve organisations' overall reporting processes (KPMG, 2011; Moroney et al., 2011). In this study, firstly, assurance providers will discuss the value case for obtaining assurance. This discussion will highlight the potential benefits that assurance could bring to an organisation. Additionally, discussion will state a case for the relative importance of assurance over social and environmental disclosures. Currently assured organisations obviously receive some of these benefits as they continue to obtain assurance. Comparisons can then be made to see whether the benefits discussed by assurance providers are being perceived in actuality. Formerly assured organisations will then discuss the perceived benefits that they had obtained from assurance in the past. It is of interest whether these formerly assured organisations received any of the benefits discussed by assurance providers, and to what degree. While, non-assured organisations will be able to provide their opinions of the benefits that they believe they would gain from obtaining assurance. Again, perceptions of assurance are key, as these organisations do not have experience of comprehensive social and environmental assurance, although some of these organisations do have experience with carbon disclosure assurance. Ultimately, this leads into the third research question:

What are the perceived benefits of assurance for organisations?

Previous literature has discussed how some organisations' stakeholders use social and environmental disclosures for their decision-making. Bartels et al. (2008) found that most readers were from business backgrounds, and that consultancy, civil society, research/academic, investment/rating, individuals, and public agencies also were readers of these disclosures, and that almost 30 percent of users made informed decisions and took action on the basis of the disclosures (pp.5-9). De Villiers and Van Staden (2010) found that between 64 to 74 percent of individual shareholders in the US, UK and Australia used environmental disclosures for financial decision-making. Assurance for this information was also highly sought after, where between 50 to 70 percent of individual shareholders desired assurance (pp.234-238). Similarly, Bartels et al. (2008) also discovered support that assurance of social and environmental reporting was important for users of these disclosures (p.22). However, Milne et al. (2001) discuss how in New Zealand, it appears that organisations either failed to understand this, or disagreed that assurance was necessary (p.8). Overall, it is important to discover whether organisations perceive their stakeholders to be using their social and environmental disclosures, and subsequently seeking assurance over these disclosures. This leads to the research question of:

Do stakeholders use social and environmental disclosures, and are they perceived as requiring assurance over these disclosures?

Academic literature has raised issues regarding current assurance provider practice. Some of this literature has focused on whether accountants or consultants are best suited for the job of providing assurance over social and environmental disclosures. Results have been varied, with accountants appearing to be favoured by stakeholders in some studies (e.g. Hodge et al., 2009), and consultants in others (e.g. O'Dwyer et al., 2005). Another issue raised by prior literature was managerial capture. Owen et al. (2000) describes how managerial capture arises through assurance providers tailoring assurance processes to their clients' requirements (p.88). This allows the reporting company to control among other things, the scope of the engagement (Ball et al., 2000, p.18). This process could allow management to strategically collect and disseminate only the information they deem appropriate to advance the corporate image rather than being truly transparent and accountable to the society it serves (Owen et al, 2000, p. 85). Further issues are discussed in accounting literature, including issues regarding lack of regulation harming comparability (Fonseca, 2011, p.7; Deegan et al., 2006a, p.341), and stakeholder confusion

between limited and reasonable levels of assurance (Hodge et al. 2009, p.188). Therefore, there could be underlying issues relating to the assurance process that may not have been discussed earlier in regards to the reasons to not obtain assurance. Findings that corroborate with the issues stated in prior literature will add to the small body of empirical results supporting these assumptions. Additionally, new issues may come to light. Thus, the fifth research question is:

Are there any concerns regarding current assurance practice?

Prior literature such as Kolk and Perego (2010) discuss factors of why assurance adoption differs between countries, outlining several drivers that in theory leads to higher or lower assurance adoption rates. Kolk and Perego (2010) discovered that organisations were more likely to obtain social and environmental assurance in countries that had weak or absent legal mechanisms, were stakeholder-oriented, or had a high awareness of sustainability (p.194). KPMG's (2011) survey ranked New Zealand 32nd out of 34 countries in terms of social and environmental reporting instances (p.11), and ranked 30th for assured disclosures (p.29). However, Simnett et al. (2009) categorised New Zealand as having good legal mechanisms (p.948), Kolk and Perego (2010) stated New Zealand as shareholder-oriented, and Research New Zealand (2007) presented findings that indicated New Zealand's population had some-what an awareness of sustainability (p.3). Therefore these reasons do not describe why New Zealand has a lower instance of social and environmental assurance adoption. Additionally, these are only a small number of factors at play in phenomena that is presumably driven by a complex inner working differing from one country to the next. Thus, the research question arises:

Why does New Zealand appear to not be keeping up with international assurance trends?

With New Zealand currently lagging well behind international assurance practice, and currently in a state of decline in assurance adoption, the question now turns to what the future will hold. After answering the previous research questions, the barriers towards assurance, the benefits of assurance, and the perceived reasons for New Zealand's overall low assurance adoption have all been established. This leads into the final research question:

What is the future of assurance in New Zealand, and what are the potential drivers for an increase in assurance adoption?

7. RESEARCH APPROACH AND METHODOLOGY

7.1 Methodology

This thesis uses qualitative semi-structured interviews, as interview methodology has been considered the most appropriate means of researching this topic due to the varied and subjective nature of many of the topic areas which are not measurable by quantitative means. It seeks the opinions from four key groups: the assurance providers of New Zealand, organisations who report social and environmental disclosures with assurance, organisations who formerly obtained assurance over their disclosures and now do not, and organisations who have never obtained assurance over their disclosures. A low risk application was submitted and approved by the University of Canterbury's Human Ethics Committee to conduct this thesis.

7.2 Sample selection

Through conducting the pilot study, a list of New Zealand assured, formerly assured, and non-assured organisations who report their social and environmental disclosures and of the New Zealand assurance providers was compiled. From this data, assurance providers were categorised as either accountant or consultant. All assurance providers indicated as active within the New Zealand market were included in the sample, as well as one formerly prominent assurance provider who no longer provided the service. This produced a result of two accountant assurance providers, two consultant assurance providers, and one former consultant assurance provider. The small sample size (five) is ultimately the result of the research question, as this was the entire population appearing to actively engage in comprehensive social and environmental assurance within New Zealand.

Organisations across all three categories of organisations (assured, formerly assured, and non-assured organisations) were categorised as long-term or relatively new reporters, and either big or small organisations in size. There were 5 organisations who indicated that they currently assure their social and environmental disclosures. All of these organisations were contacted regarding participation, where ultimately 4 of these organisations accepted.

Of the 6 formerly assured reporters indicated in this thesis, 5 were contacted and interviewed as

one was discovered too late into the thesis time frame. Additionally, one interview was obtained from a former employee of one of these organisations who was in charge of the report when they had obtained assurance.

Finally, there were many organisations that do not assure their report. Of these organisations, those who reported less than 5 pages of disclosures in their reports were excluded from the sample. This left a total of 22 potential non-assured interviewees, where ultimately 7 of these organisations were interviewed. 14 were contacted, however one organisation expressly declined participation, another was not planning on producing another social and environmental report in the foreseeable future, while the other 5 organisations were not interviewed due to inability of finding a suitable interviewee within the organisation, or non-responses to emails and telephone inquiries. Overall, there has been a sample of 21 interviews conducted.

Summary of Interviewees

Category	Number of potential interviewees	No. of Interviews conducted	Percentage of population interviewed
Assured Reporters	5	4	80%
Formerly Assured Reporters	6	5	83%
Non-assured Reporters	22	7	32%
Assurance Providers (currently active)	4	4	100%
Assurance Providers (formerly active)	3	1	33%
TOTAL	40	21	53%

7.3 Method

Potential interviewees from organisations were determined through various sources including the social and environmental reports, LinkedIn, and by speaking to organisation receptionists. From there, the potential interviewees were contacted by a formal email which provided a brief summary of the research agenda, asking for participation in the thesis. After a period of non-response, this was followed up by making contact via phone. A suitable time and location for an interview was then arranged with participating interviewees. Interviewees provided signed consent over participation in the thesis, which also ensured them, among many things, the right to

withdraw at any time, pursue transcripts of interviews, and to confidentiality of responses. Interviews were semi-structured to encourage dialogue, and spanned between 15 and 40 minutes in duration to gauge participant's beliefs. Interviews were recorded and transcribed, with the option for participants to peruse these transcripts if they desired and to omit or change any response. Participants' responses were treated with confidentiality, where no outside party had access to named data, and participants have instead been identified by a letter code system which includes details of their broad categories (for example, long-term formerly assured reporter, or consultant assurance provider). Summaries were made after each interview to track common themes and contrasting answers, so as to be able to focus on these areas in proceeding interviews.

7.4 Analysis

Findings from interviews were then collated and examined. An interpretive reading of the transcripts while listening to the recordings allowed the researcher to verify the intended meanings, and codify the transcripts to identify, link, and question common and conflicting themes. Coding created categories of information that had many inner-workings, which ultimately aggregated into key concepts, reasons and major groupings from which information could be displayed and analysed in a sensible fashion. These findings were then linked back to existing theories and prior research to support or refute the interview data. This research was then synthesised into a thesis incorporating a descriptive chapter documenting the opinions of interviewees across a range of issues, and then subsequently followed by a chapter analysing these opinions. Finally, a summary of the various topics is presented in the conclusion, which draws these various issues together to ultimately answer the questions of why assurance of social and environmental disclosures is so low in New Zealand, and what changes are required or believed to be occurring in the future which will cause a potential rise in New Zealand's assurance adoption.

7.5 Interviewee summary

Interviewees have been indicated throughout the findings and subsequent analysis chapter by short descriptions. Organisations are categorised as either new (1-3 years), medium-term (4-6 years), by their experience as reporters, size, and denoted by their ownership status. A very brief summary of each interviewee follows, with care taken to ensure confidentiality when dealing with such small samples.

Non-assured organisations:

- Medium-term reporter, SME, a council-controlled trading organisation (CCTO)
- Medium-term reporter, large size, a subsidiary of local government
- New reporter, small size, private organisation
- New reporter, larger size, a subsidiary of an Australian listed organisation
- Long-term reporter, large, SOE
- Medium-term reporter, small, a subsidiary of a Crown agent
- Medium-term reporter, large, NZX listed organisation

Formerly assured organisations:

- Long-term but sporadic, small, private organisation
- Long-term reporter, large, NZX listed organisation
- Long-term reporter, large, New Zealand subsidiary of a multi-national
- Long-term reporter, medium sized, crown institute
- Long-term reporter, large, SOE

Assured organisations:

- Long-term reporter, large, NZX listed organisation
- Long-term reporter, large, New Zealand subsidiary of a multi-national
- Long-term reporter, large, SOE
- Long-term reporter, large, a subsidiary of local government

Assurance Providers:

- Consultant assurance provider
- Consultant assurance provider
- Accountant assurance provider
- Accountant assurance provider
- Former consultant assurance provider

8. FINDINGS

8.1 Voluntary social and environmental reporting: Why do organisations report?

Sensibly, the first place to start a discussion about the assurance of social and environmental disclosures is to discover why organisations voluntarily produce these disclosures. Non-assured social and environmental reporters present a range of reasons for and purposes of their social and environmental disclosure. A common response was wanting to be a good corporate citizen by recognising organisational impacts upon the environment and community of operation. Another was due to sustainability being in-bedded within the organisation, where reporting on it was a natural progression. One smaller organisation added to this, feeling "...because we are a crown owned entity, there's the expectation that we do these sorts of things, and certainly from our board an expectation that we do that". Another was a desire to be perceived as sustainable to fit with community requirements, arguably best achieved through communicating good performance as well as outlining future plans. Finally, two reasons for reporting related to it being mandatory, as one organisation noted that while not their dominant reason to report, it was a requirement through being a member of the NZBCSD. The other organisation faced mandatory carbon disclosures from falling under New Zealand ETS regulation; however the bulk of their reporting was voluntary.

Similarly, the currently and formerly assured organisations presented a variety of reasons for and purposes of voluntarily disclosing their social and environmental information. One of these formerly assured organisations discussed how reporting was a form of differentiation for their organisation, "...it becomes a useful tool for differentiating ourselves in the marketplace, lots of people talk about sustainability, few actually bother reporting on it." Other formerly assured organisations discussed purposes such as providing a contextual setting for their business, and communicating to stakeholders. A former employee of one long-term reporting organisation also noted that while producing these disclosures was part of their statutory requirements through being government owned, it was also to inform further funding organisations, staff, and the wider community about their performance. Finally, one long-term reporting organisation noted that reporting on these issues was also good business risk management, "...how well you deal with

these social and environmental impacts of your business has an impact on how well you're doing financially, and the risks or opportunities there are in the future for your business." Currently assured organisations held corroborating purposes, with two of them also noting that reporting was a useful place to consolidate all of their non-financial information released throughout the year. Another also noted a mandatory requirement, as they were a New Zealand subsidiary to a large international organisation, "...it's part of a global scheme with every [subsidiary of our] company around the world... Particularly for an international company, I think it's quite important to make sure you are... fully engaged with local community."

Regarding whom the intended audience for these reports were, two non-assured social and environmental disclosing organisations discussed how shareholders were the main, but not exclusive audience. One of these organisations stated, "...first and foremost, our shareholders. But beyond it, the broader community and broader stakeholder groups that have an interest in the way that we run our business..." Other non-assured organisations noted a varied intended audience, mentioning shareholders, customers, supply chain, as well as the community and country of operation. Formerly assured organisations also indicated that stakeholders were not limited to those internal to the organisation, mentioning a variety of external stakeholders including major clients, a variety of government organisations, Maori organisations, and community. Additionally, one formerly assured organisation discussed writing their stand-alone report in such a way that the average person could understand it, where, "...both in my language and the range of the report, the things I'm reporting on, the data points we use; we're trying to reach quite a wide audience". All currently assured social and environmental reporters also discussed external stakeholders, including non-financial stakeholders such as the community in which they operate in.

8.2 An absence of assurance

There were 12 organisations interviewed who did not currently obtain assurance, and all of these organisations presented differing reasons for not assuring their reports. From the responses, there appeared to be several main themes. These are: lack of stakeholder pressure for assurance, lack of value, diminishing value over time, cost, under-developed reporting, and difficulties with the assurance engagement.

Three of the twelve organisations did not obtain assurance largely due to lack of stakeholder pressure. One non-assured NZX listed organisation discussed how the lack of stakeholder pressure for assurance was their main concern overall:

Even though we've been doing all this disclosure around our sustainability performance, there has been no significant change in our shareholder make-up... Should that change... that might change things. It would take a significant kind of external pressure from a key stakeholder to actually go down the route of assurance...

Another non-assured organisation obtained assurance over their carbon disclosure, but did not face pressure to extend this to cover their whole report:

Anecdotal feedback from our stakeholders suggests that [assurance] would make our report a little more credible, but they are more interested to see that we have used the GRI's G3 framework for guidance on content.

One of the formerly assured organisations also stated lack of pressure as their main reason for not obtaining comprehensive assurance every year, after a history of assuring on and off for a number of years to varying degrees. "Our view is that assurance is not that meaningful to enough of our stakeholders for it to be a mandatory requirement for us." The organisation noted that there was no mention of assurance from their stakeholders:

...Apart from it being raised by the judges at the [ACCA New Zealand] Sustainability Reporting Awards... I would not have a single person who I regard as being in our wider audience contact me and say, 'hey, where's your assurance?' And not one investor, not one analyst has ever raised it.

All three of these organisations also stated a cost as an additional factor, and two of these organisations cited lack of value as well. The formerly assured organisation citing lack of pressure as the reason for not obtaining comprehensive assurance discussed how assurance had a diminishing value due to their report not evolving much in recent times:

...Our methodology remains the same year after year. So for example, last year's report had assurance, the methodology hasn't changed... we've got some internal controls over our reporting methodology, we're confident in our data.

While in relation to cost, this formerly assured organisation stated, "...assurance is quite expensive. Even to get assurance over just the carbon report... ranges between 15 and 20 thousand dollars... So, to broaden that obviously increases the budget considerably..." Contrastingly, one large non-assured organisation of similar size noted that while cost was a factor, it was not a huge barrier:

...I know who I can go to to get things assured, and I know there are competent providers in the

marketplace... but it would be convincing the business that it's actually of value... At the moment I can better spend that money in communicating our sustainability performance...

Two organisations felt that cost was their main barrier towards assurance. One non-assured organisation discussed that they had been financially constrained over the last two to three years:

Some things have had to go across the board, and [more in-depth reporting and carbon assurance] was one of the things that went. If you go back about three or four years, we did do a couple of [assured] greenhouse gas inventories...

Currently, this organisation noted that their budget did not stretch far enough to re-introduce carbon assurance, let alone more comprehensive assurance. While one formerly assured organisation discussed how assurance was very costly for their organisation:

Sheer cost I think, would come down to [why we do not obtain assurance]... The last cost or quote that we were given was for \$50,000 or \$60,000, and we found that too hard to justify for what we get back out of it...

These two organisations stating cost as their main issue did not discuss lack of stakeholder pressure as an issue, but did infer lack of value as another issue. Looking specifically at value, there were three organisations stating this as their main reason. Two of these organisations believed they gained better value from other credibility adding functions. Firstly, one formerly assured long-term reporter now uses a stakeholder panel in place of more traditional assurance (similar to that of a financial audit). This organisation believed the stakeholder panel provided a greater value proposition, "...a stakeholder assurance panel would provide us with a higher level of engagement from our stakeholders, who were the people really we were directing the report at". Another advantage for a stakeholder panel was cost saving, "...we could manage [the stakeholder panel] internally, so there was a cost [saving] aspect associated with that as well." The organisation used rigorous internal controls to support their stakeholder panel approach to provide accuracy of the underlying data.

The other credibility adding function felt to go above and beyond that of traditional assurance was carboNZero certification, which requires assurance as part of obtaining certification. The majority of one non-assured organisation's social and environmental disclosures fell under this carboNZero certification, "Ground water extraction would be about the only one [not included.]" An additional independent assurance engagement had also been sought ensuring the information presented in the report was an accurate representation of the underlying data collected. However the

organisation did not specify that this additional engagement had occurred within the report. Overall, this non-assured organisation did not believe there was a need to go beyond stating carboNZero certification, "...in my mind, [carboNZero certification] is the independent verification that is written down..." Other organisations had however discussed certification, including carboNZero certification as adding credibility to their reporting, but no other organisation stated this as their main reason for not obtaining assurance, or stating that it had been undertaken. One formerly assured organisation had however discussed a multitude of rigorous processes and scrutiny that their disclosures went through before going to print which contributed to the lack of value assurance provided when assessing the need for it:

...Scrutiny goes on all the way through, so trying to justify an extra \$60,000 or so on top of that we found in the current sort of economic climate it was just almost too hard to do, and could actually do quite a lot more with that amount of money...

The last organisation stating value as their main reason for not obtaining assurance was a large, long-term reporter. This was another organisation that obtained assurance over only their carbon disclosure, but did not see value in extending the assurance engagement to cover the rest of their social and environmental disclosures:

[Our] carbon emissions reporting is audited through [our accountant assurance provider.] So, the really material part of our GRI reporting did actually end up being assured. It was that the other stuff, we just didn't see the value in it to be honest...

The organisation has also recently ceased reporting against the GRI, which has reduced the amount of "immaterial" disclosures reported. This has led the organisation to believe "...that the need for assurance is even further reduced." The organisation also discussed how cost was not a barrier they faced, "...there's obviously cost, but I think to a company like ours that wouldn't be a huge barrier, but there certainly would be a cost and so there would have to be some value returning." This organisation, being a long-time reporter, had debated assurance in their early years. However, at that early stage, "...to get [our disclosures] audited would [have] only really tell us what we already knew: That there were gaps in the data and some of the sources weren't as reliable as they should be... Our decision was to concentrate on improving the data." There was one organisation, a non-assured, small, new reporter, who stated that under-developed reporting was their main reason currently:

...when it came time to do [our first social and environmental] report, I really went around and around in circles. I didn't know where to start... so at that point we weren't really in a position to have anything externally verified...

However, the organisation was unsure whether they would seek assurance in the future, as they had been contacted by carboNZero, but found their certification scheme to be "cost prohibitive." Therefore, it is likely that assurance too would be cost prohibitive. Value and stakeholder pressure were additional concerns for this organisation, discussing how industry type was a possible reason:

...I think industry has a lot to do with the reasons why you wouldn't especially go to externally verified information. I would say [our organisation is] pretty passive as far as environmental risks and stuff like that...

The last major reason to not obtain assurance was through difficulties relating to the assurance engagement, felt by two organisations. One non-assured organisation had not seriously considered assurance adoption, mainly due to perceived difficulties surrounding the engagement. "[Assurance] just seemed too difficult... [We were not] sure how an auditor might go about it... it's not as clear cut as financial reporting..." Most of the perceived difficulty arose due to a large portion of social disclosures, rather than reporting their own personal emissions and waste. "...There is a lot of measures in there that are... measurable, but if you think of an auditor like an accountant coming in to measure them it would be quite hard..." Cost was also associated to this barrier. The other organisation stating difficulties as a main reason to not obtain assurance was a formerly assured long-term reporter. This organisation found that the time involved was a significant barrier when considering assurance. "The [assurance] process took a lot of time, and writing an annual report is kind of a down to the wire exercise as it is... part of the reason we stopped was because... it was very time consuming." This organisation also questioned the value received from assurance, as their prior experience showed "...our people don't write things that aren't true... so it wasn't seen as having a huge amount of value for our internal processes..." This organisation has, however, continued to get their carbon disclosure assured. "[Carbon disclosure] is something that's very numbers focused, it's very complicated. It's difficult to work out if you've done it correctly and getting it audited is a way of double checking your own work..."

The final organisation, the formerly assured long-term sporadic reporter did not obtain assurance due to currently not producing a full-fledged sustainability report. Current reports have instead been updated scorecards. However, when the time comes for another full-fledged sustainability report, the organisation was certain they will get it assured.

8.3 Assured reporters also question the value of assurance

Assured organisations generally did not feel barriers towards obtaining assurance, but one organisation questioned both cost and the continued value of obtaining yearly assurance, echoing diminishing value discussion by one formerly assured organisation:

Have we extracted the value out of doing assurance for two to three years?... That's where we'd have to ask our stakeholders... I think we've got to the point where we've extracted all the value from a business perspective, [and] internal processing perspective...

This assured organisation also discussed that specialist consultancies could provide more internal benefit through their consultancy and assurance services; however the organisation felt that these resources were not available in New Zealand:

We've looked at Banarra and Net Balance in Australia... to extract better value of integrating sustainability into the organisation. Unfortunately for us there isn't that sort of equivalent company in New Zealand... because [assurance providers] are not assuring very many [organisations] in New Zealand, they're not bringing the learnings from other clients to help us advance...

Another assured organisation also considered the issue of diminishing value over time of assurance engagements, although this organisation instead believed that assurance continues to be an internal benefit due the dynamic nature of reporting, but not necessarily inferring that the internal benefit is obtained year to year:

...These things are not static, your reporting is dynamic, and it'll change with time, so what we've reported in here will change next year. So it'll change again, but what I've done is tried to set it up so it'll go for a number of years.

Additionally, this organisation believes that subsequent assurance engagements will become "quicker and cheaper" and so reducing the potential cost and time barriers. Another factor discussed was that the internal processes required of assurance were a demanding potential barrier for some organisations, and this was a reason why this assured organisation had previously paused assurance adoption:

...It's not only the external cost, which is not a lot. It's more the effort, the internal. That's why we didn't [obtain assurance] the year before... It's not just something that you can add on... You've got to have a process right from the start...

Lastly, one assured organisation stated that their only real barrier was the lack of user understanding, "...The people reading it don't understand, and have no interest [in the assurance]... But it is just part of what we do." Overall though, three of the four interviewed assured organisations did not feel they faced any high barriers towards assurance adoption.

8.4 Resisting assurance: Assurance providers' opinions

Assurance providers echoed many of the responses of the reporting organisations, both currently non-assured and assured. One accountant assurance provider added to the findings from organisations by noting that reducing the scope of the assurance engagement was a way to reduce the cost, but that for some, the cost of the engagement is still large. While a consultant assurance provider discussed how comparatively to preparing the report, assurance appeared expensive:

...We had a discussion with a report provider, someone who writes reports for businesses, and their view was that report writing was a loss leader for them. They would basically price it very low and then get a few other marketing, communications aspects to bring in more revenue. And then when you start doing that, then the cost of the report is very low, the cost of the assurance is higher. You almost present a cost where it's more to assure the report than it is to write the report, and conversely if the report is written in-house, there's seemingly no cost associated with it...

One accountant assurance provider however, stated a differing opinion, believing that cost was not too prohibitive. "It comes down to the importance they place on the report. So cost isn't, if it's limited assurance, the cost isn't actually too prohibitive I think in comparison to the report itself..." Assurance providers also indicated that barriers towards assurance can stem from the overall purpose of the report. The former assurance provider stated:

Often these reports are coming from communications, marketing people [within the organisation]... If you're branding and profiling, you're putting your best foot forward, and if you're doing that there's no reason to have independent assurance because everyone knows that it's your best foot and not necessarily the whole picture. But, if your purpose is an entire picture to reflect the validity and authenticity of the company, to build that trust... then an assurance statement is very important.

However, one accountant assurance provider noted that underlying purpose of reporting does not necessarily drive assurance either. "I've had discussions with some where [sustainability] is quite embedded [within the organisation], but still don't necessarily see the financial value in having the assurance piece done."

Other findings included a consultant assurance provider discussing that historically, their clients' assurance had been driven by requirements to do so by parent organisations or government owners, "...there's very few who do [external assurance] probably voluntarily." Finally, another consultant assurance provider discussed the difficulty of finding an assurance provider:

Well, it's hard [to find an assurance provider in New Zealand] in that, you know the market's quite small, and finding a competent provider [could be an issue]. I mean no one's out there and hanging

out their shingles and advertising this sort of stuff...

SUMMARY OF INTERVIEWEE RESPONSES TO WHY ORGANISATIONS DO NOT OBTAIN ASSURANCE

	No. of Non-assured Organisations	No. of Formerly assured Organisations	No. of Currently assured organisations	No. of Assured organisations	Total no. of responses	Park & Brorson (2005) Results
Cost	6 (1)	3 (1)	1	1	11	31%
No pressure	2 (2)	2 (1)		2	6	13%
Under-dev. Reporting	2 (1)				2	25%
Lacking value	5 (2)	2 (1)			7	31%
Diminishing value		1	1 (1)		2	
Difficulties	2 (1)	1 (1)	1		4	
Not producing a full report		1 (1)			1	
Lack of NZ assurance provider experience			1		1	
Organisational purpose for reporting				2 (2)	2	
No issues			3 (3)		3	

Un-bracketed number denotes total number of organisations stating a reason, while the bracketed number denotes how many of these organisations believe this is their main reason for not obtaining assurance.

8.5 The benefits of assurance

After analysing responses for the reasons not to obtain assurance, the barriers that organisations face, and the assurance provider's thoughts on barriers, the attention now turns to the benefits of assurance. Discussion of benefits will begin with the benefits that assurance providers espoused for obtaining assurance, followed by the assured organisations' reasons for obtaining assurance and their benefits received, the formerly assured reporter's perception of the benefits, and lastly the benefits that non-assured organisations believe that they would obtain through obtaining assurance.

Assurance providers state a wide range of arguments about the value of assurance and why it should be undertaken. The most obvious benefit of assurance discussed is that it helps to minimise

the potential for making material misstatements through the assurance provider checking the data integrity, where an accountant assurance provider discussed how the assurance process had uncovered many mistakes in disclosures:

In our experience we have picked up a lot of stupid mistakes in reports, things with decimal points in the wrong places and things that make their footprint 10 times higher than it should be, or you know, just statements that are obviously not true or misleading...

However, this accountant assurance provider believes that the primary purpose of obtaining assurance is risk management:

It's pure risk management. I mean if you're going to go out there and say things in the public arena, in particular about compliance with a standard [such as the GRI,...] if this is signed off by the chief executive of the board, then how do they know that what they're saying in that report, especially the more technical things, are actually correct?

The other accountant assurance provider also believed that one of the benefits was risk management, and also discussed how the value of assurance is tailored to the specifics of each organisation's strategy:

[For organisations] who want to get [a product] across to the UK, the [assurance] value might be in being able to put... some assertions in relation to product... Some might [obtain assurance] because they're reporting into international indices such as the Carbon Disclosure Project, or where you're ranked more highly potentially if you can demonstrate that the data you're providing has some assurance over it... The value is very determined by the nature of the organisation you're talking to...

Another benefit to assurance was through assurance being a beneficial educational piece, where a consultant assurance provider stated:

[The data owners within companies] generally don't know why they're collecting data... [Through educating them,] the data stream is a lot more cohesive, and you almost find that there's other things that should have been included but isn't because they don't know why they're collecting the data.

Another consultant assurance provider mentioned that external assurance was an important way of gaining independent feedback as it gives the organisation an idea of how their disclosures appear to an outside audience. Finally, the assurance providers discussed how assurance adds credibility to the disclosures. One accountant assurance provider stated:

I think [assurance] provides credibility because, particularly in non-financial data, there can be a tendency to make statements which... may not necessarily reflect the correct position... You're able to give some sort of comfort that the statements that are being made are materially correct...

The other accountant assurance provider noted however, that credibility depended upon who the reader was, as some did not look for assurance or may not require it:

If you issued a kind of community focused [sustainability] report about all of the things in X community and they were the audience and they picked it up... they wouldn't need an assurance statement, they would be able to figure out pretty damn quickly whether what you were saying was true or not. Whereas I think for things like your greenhouse gas exposure... health and safety practices and... things that lead to corporate risk, and is what the investment industry is interested in, then certainly it does give credibility...

Therefore, there are numerous benefits espoused by assurance providers for obtaining assurance. However, do assured organisations perceive these benefits? One large assured organisation obtained assurance for both internal and external reasons:

From an internal perspective it puts some level of robustness around our processes and if we're serious about these attributes being important to our performance, then they need to have the same sort of rigour put around the capture of their metrics, and also [ensuring quality of disclosures]...

Another employee from this organisation noted that there were staff morale benefits, "it also helps validate peoples input into the report and the time they spend, there is actually a robust process that they've been part of..." This organisation's externally focused reasons for obtaining assurance were due to credibility for stakeholders:

...We think that it gives some level of credibility to our external stakeholders... When it comes to our non-financial performance, it's real easy to put a company perspective on it, and we want to illustrate to our stakeholders that somebody has tested those key statements...

Additionally, another assured organisation also had internal and external drivers for obtaining assurance:

It basically provides the reader with greater certainty about what's actually in our report, but it also helps us to check what's in there... Like, errors in data, or we haven't summed something properly, [or] a comment that we've made is actually totally over the top ridiculous...

However, this organisation discussed that the external benefits of assurance were not fully realised by their organisation. "I don't think we've ever had a comment back saying 'I'm really pleased you get this report assured.'" One of the assured organisations obtains assurance due to it being a mandatory requirement through being a multi-national subsidiary, but also noted external credibility and internal benefits for assurance, "It's important that the report is trusted. So you need someone to look and check that we've actually told the truth... And also to make sure that we haven't inadvertently got something wrong." Another assured organisation elaborated on the external credibility adding function of assurance, "[assurance says] to everyone outside that it's not just us saying these numbers, the numbers have been checked by an independent and assessed..."

Many formerly assured organisations also noted internal benefits from having assurance, however only some noted strong external benefits. One formerly assured organisation noted risk management as an internal benefit. "I think it's worthwhile... because if you're publishing something, you are risking your reputation if you put something in the public domain that is incorrect..." This organisation also noted that assurance proved to be beneficial as it had uncovered slight errors and miscalculations in their disclosures. However, another formerly assured organisation believed assurance provided a slight, possibly negligible improvement over the accuracy of disclosures due to people already writing truthful statements:

In general, having some kind of verification does make people a little bit more careful about what they write and how they write it, you're going to have better quality information I think, but not by much...

While one long-term reporting formerly assured organisation believed that the internal benefits received from assurance decreased over time:

I think initially it was beneficial, because it really helped us focus our thinking, and sort of made us think harder about [our reporting metrics], particularly around some of the more challenging areas... [However,] it wasn't adding more value [over time], our reporting was progressing and getting more sophisticated, but [assurance] wasn't sort of keeping pace. The cost was going up but the rest of the value coming back wasn't really changing.

Of the formerly assured organisations, the small, sporadic reporter was the main advocate for external benefits, while the remaining formerly assured organisations offered qualified support for the external benefits that assurance provides. In practice, external benefits largely did not appear to arise due to lack of stakeholder interest. The small, sporadic reporter stated:

...if we're going to go to the effort of writing [a social and environmental report], anyone can write whatever they like... But, if you really want to put it beyond challenge... if you've got [an assurance provider] signing it off it says, 'well hey; this is actually what's happening.

One formerly assured organisation noted how assurance made the report to be perceived as higher quality, "...it does give your report that aura of being a better report than somebody else's report." Finally, another formerly assured long-term reporter discussed how they believed external benefits of assurance also had a diminishing value over time due to perceived changes in stakeholder scepticism:

...Initially [stakeholders] benefited from [assurance] because it was kind of a form of 'we're not just making all this up'... But now I kind of think that people understand [social and environmental reporting] and kind of take it for granted...

Unlike organisations that had experienced assurance before, non-assured organisations were

largely unsure of what the benefits to assurance might be. One non-assured organisation noted that as a new reporter, they had only limited knowledge of the benefits that assurance would bring. While another small non-assured organisation was also unsure what the benefits to assurance were, which was why they had not seriously looked into obtaining it. Another non-assured organisation was also unsure of what the benefits would be of externally disclosing their assurance. "...We know that the data is accurate, we haven't encountered anyone suggesting that the data isn't accurate... I'm struggling to see where the value may be."

Two of the non-assured organisations believed that assurance would add a degree of credibility to their reporting for stakeholders. However, one of these organisations believed it would be a small increase, while the other suggested it was a reasonable amount. Additionally, one non-assured organisation stated another benefit found from their previous experience of carbon assurance engagements was "...although the auditors can't be the consultants, the fact is once you go through that process you actually learn a lot as well."

The non-assured NZX listed organisation spoke about the potential benefits of assurance in regards to indices such as the Goldman Sachs JBWere Climate Disclosure Leadership Index, FTSE4Good and the FTSE CDP Carbon Strategy Index. This was similar to discussion earlier by an accountant assurance provider, as this organisation possibly either misses out, or is ranked lower on these indices due to lack of assurance:

...We don't have our carbon footprint verified, so if verification and assurance does become just a requirement within the Carbon Disclosure Project... then probably we would do it. Because, we wouldn't want to kind of fall out of that index, you know once we've been in there for a number of years. So that sort of pressure will make us change...

Finally, one of the non-assured organisations compared the benefits of assurance to those of other forms of accreditation that the report could have, and how these accreditations have become hygiene factors with no value from externally communicating them. "...It's almost a point in time, you know, and now it seems like a lot of these things [such as Enviromark accreditation] are just hygiene factors... We don't necessarily get any more value from touting them."

SUMMARY OF INTERVIEWEE RESPONSES OF THE BENEFITS OF ASSURANCE

	No. of Non-assured Organisations	No. of Formerly assured Organisations	No. of Currently assured organisations	No. of Assured organisations	Total no. of Responses
Minimise misstatements		2	3	1	6
Risk Management		1		2	3
Internal Education/Feedback	1			2	3
External Credibility	2	2	4	2	10
Limited Knowledge/ unsure of the benefits	3				3
Higher Placing in Social and Environmental Indices	1			1	2

8.6 Stakeholders: Do they use reports and do they require assurance?

After establishing the barriers and benefits towards assurance, the question then begs, do the organisations' stakeholders take notice of or request the presence of assurance? As many organisations have stated that lack of stakeholder pressure is a reason for not obtaining assurance, do any organisations feel this pressure? And are stakeholders perceived to want or use voluntary disclosures? Discussion begins with results from non-assured organisations, and leads into findings from formerly assured and currently assured organisations, and then the assurance providers' opinions upon these issues.

Non-assured organisations believed that their largest shareholders definitely used the disclosures produced. However, many were unsure about whether their disclosures were being properly digested by their non-financial stakeholders. Beyond their shareholders, one small non-assured organisation was not sure if their broader stakeholders took notice of their reporting:

...I'm not sure that the general public is all that interested [in our social and environmental disclosures]. But yeah, our board is definitely interested... I wouldn't say as part of their decision-making. It more forms the... general sort of background of... all sorts of things that ultimately influences their decisions.

Corroboratively, another non-assured organisation also believed their small number of shareholders used their disclosures. Additionally, this organisation also noted that they get the odd inquiry about their sustainability from non-financial stakeholders, which tended to come mainly

from students, or other similar organisations. One of the large non-assured organisations also stated that their major shareholder was definitely interested, and additionally that they were part of a supply chain where customers want to know that "...the whole chain of events is sustainable because they've got a much more sophisticated, demanding market that can very easily decide not to buy the product..." This organisation also noted that reporting was only one way in which they addressed wider stakeholders, "another way of engaging is we have community reference groups where anything can come on the agenda..." A second large non-assured organisation elaborated on the issue of addressing stakeholders through a variety of other mediums:

For us... corporate responsibility is all about... actually doing what you say and making sure... that your needs and the stakeholders' coincide... It's much more that they know who we are from dealing with us as opposed to reading a report about us... It's corporate responsibility in action.

Finally, one NZX listed non-assured organisations was more sceptical about stakeholder use of their social and environmental disclosures:

We've seen no evidence of it in terms of shareholders. No movement in our shareholding at all in the last three or four years... In terms of our customers, in terms of our [supply chain], some of those are in similar position to us in that they've started sustainability reporting, but they're still finding their way with it. So there isn't pressure from customers, certainly not from the public... You know, [the public] can provide feedback through the company website and we've had absolutely nothing specific around sustainability reporting, or the fact we haven't sought any sort of verification.

As discussed earlier, many non-assured organisations also felt a lack of pressure from stakeholders for assurance over their social and environmental disclosures. One reason for lack of stakeholder pressure stated was that internal stakeholders could get assurance from a variety of sources, not just from external engagements. Only the non-assured NZX listed organisation felt a degree of pressure for assurance, which was coming from being in the CDP and publicly disclosing their carbon footprint without assurance:

Yeah there is some kind of... pressure from the investment community to have [assurance], and there's certainly pressure from the Carbon Disclosure Project to see companies verifying, having their carbon footprints verified to a certain level of assurance...

However, due to the lack of changes in their shareholding, or interest from other external stakeholders, the organisation does not see value for money in obtaining assurance. "It would take a significant kind of external pressure from a key stakeholder to actually go down the route of assurance and external verification at this stage."

Formerly assured organisations provided mixed responses relating to whether stakeholders used the disclosures, which was similar to the findings from non-assured reporters. Some were unsure if stakeholders even looked at the disclosures, with formerly assured organisations generally indicating that stakeholders receive information through communication channels other than social and environmental reports. One formerly assured long-term reporter did not think that stakeholders in general used their disclosures:

I think stakeholders use their overall impression of the company and their experience of company representatives in one on one meetings. I don't think the majority of stakeholders read your annual report, that information gets communicated to them in a variety of other channels. I think that can be quite a challenge in terms of stakeholder relationships, because you collect all of this information they probably would be interested in if they knew you were collecting it. But in order to communicate it to them you have to pick a channel that they're actually interested in reading.

A former employee of a formerly assured organisation added to this, stating,

...It's not about what you say; it's about what you do. So, I guess it was an important element in actually informing some stakeholders about what was actually being done, but I think ultimately it's about walking the talk.

While another formerly assured organisation noted that their report is read by stakeholders, but they were unsure how they used it. A lot of students were believed to read their report, and it was used to educate internal stakeholders. This organisation also discussed how ethical investment groups were interested in these sorts of disclosures:

You've got a small amount of ethical funds that are chasing ethical investments. [For example, the New Zealand Superannuation Fund. They've got their ethical investment criteria... So they're all hunting this type of data. You've got the Carbon Disclosure Project that we participate in, which is chasing down this kind of reporting in the carbon area. So the answer is for some large institutions definitely yes [they are interested in social and environmental disclosure], for your mum and dad investor, no.

The smaller formerly assured organisation stated that they receive some feedback from stakeholders upon releasing their report. This organisation also found the disclosures useful for educating potential clients in tender processes:

We can refer people to a published document which has some third party verification... [So it's] useful when we're doing a large tender for one of the corporates who are now starting to ask a bit for that.

Finally, one formerly assured organisation found that their report was being digested from some of their stakeholders:

We don't seek formal feedback, we've done that in the past, but we haven't found that to be

terribly successful in terms of the response rate. But we will always get feedback... Often from clients, and also we always present the report internally... And also we would invariably get feedback from people that we employ, so we know that it's a powerful tool for communicating our sustainability commitment to people that we're looking to recruit.

Only one of the formerly assured organisations had found stakeholders discussing assurance, where this organisation found potential clients had asked to note assurance during the tender process. "...In a couple of recent tenders we have done, particularly government tenders, 'note any verification that you may have of sustainability initiatives' is something that does come through..." However, in general the organisation stated, "I'm not sure there is a real broad understanding of what difference a report with or without assurance is for some people..." The remaining formerly assured organisations had never experienced stakeholders asking about assurance, and many found the only time the absence of assurance was mentioned was at ACCA Sustainability Reporting Awards by the judging panel. However, one former employee noted, "...to be a leading reporter though you needed assurance, so while I don't think the stakeholders have the level of sophistication to know, they did know [in the past when they obtained assurance] that it was a leading report." Therefore, clearly there could be stakeholder perception benefits from obtaining assurance for organisations seeking 'leading reporter' status.

Moving to focus on assured organisations, all of these organisations had received some interest in their disclosures from stakeholders. One assured organisation noted they had received comments from users of their disclosures from their communities of operation, customers and from investors. Results from their customer surveys also showed that some of their customers made decisions based around their non-financial activities. In reference to a prior issue of bonds the organisation also noted, "...we've had some feedback that our non-financial performance was a reason why [investors] selected to buy bonds in our company as opposed to another company..." While another assured organisation stated that their shareholders generally did not provide feedback in terms of their social and environmental disclosures, however the organisation had received feedback from other stakeholders. In regards to a joint venture with an iwi collective, "...they really get into it and are like, 'that's really interesting, and how about putting this in...' It's the most feedback we've had in years." Another assured organisation had interest in their social and environmental performance from their owners and from communities given the fact that their organisation has a significant impact upon the environment. Lastly, one of the assured

organisations distribute their report to their stakeholders, but does not think they relied upon the disclosures for decision making. "I think it just gives them assurance that [our organisation is] giving attention to these broader set of issues, and you know, is playing its part I guess as a leading reporter."

None of the assured organisations felt pressure from stakeholders for assurance over their social and environmental information. One of these organisations were currently unsure whether stakeholders required assurance and to what degree they placed value in its presence, but were planning to engage their stakeholders to discuss this issue. Another organisation noted they had not received any negative stakeholder feedback in regards to their recent absence of assurance before obtaining it again. Additionally, they noted "...we still got a number of awards for our report last year." While of the last two assured organisations, one noted they did not think their stakeholders read their social and environmental disclosures at that level, while the other did not believe their stakeholders used disclosures for decision-making, but would if they were going to rely upon the disclosures.

Assurance providers also commented on stakeholder use of disclosure and level of desire for assurance. These providers believed investors often had a passing interest in organisation's disclosures, but did not necessarily use them in their decision-making. One accountant assurance provider believed that this was due to the information being insufficient and often not assured:

I think the investment community would like to use it, but if you read that CDP report (CDP, 2011)... you kind of sense the frustration at the lack of companies that are disclosing to the CDP, and also the lack of verified information.

Two consultant assurance providers also felt that the disclosures were insufficient, in that they were often under-developed in their communication of how social and environmental disclosures indicate financial risks. They believed this was perhaps why there was a minimal amount of investors using these disclosures in their primary decision-making. However, an accountant assurance provider had noted from experience that some key stakeholders were using social and environmental information in their decision-making, but not in the current reported form:

I think the report is sort of a given, it's a nice to have, but I think... serious stakeholders will actually want a more transparent interface in terms of how your sustainable practices may impact on them [directly]... It's very much tailored...

Finally, two consultant assurance providers noted that potential employees often use social and environmental disclosures for decision-making when deciding whether they would like to work for an organisation. Overall, the general consensus from assurance providers was that if a stakeholder was going to be relying upon these disclosures in their decision-making, then they would desire assurance. However, this was not currently believed to be an often occurrence.

8.7 Are there any concerns regarding current practice assurance?

Academic literature has raised issues regarding current assurance provider practice (see Section 4.17). This literature has focused on the suitability of accountants and consultants undertaking assurance, managerial capture, and the lack of regulation over social and environmental assurance and reporting, among others. It is of interest whether any such issues are perceived by practitioners, or discouraging the adoption of assurance.

Organisations were questioned if they had a preference for assurance provider, and why. Two of the non-assured organisations preferred accountants, with one commenting:

Accountancy firms the likes of PwC; they could quite easily audit every aspect of our sustainability reporting... The only reason you would go for a consultant or another party is if they were offering some other form of certification or label.

While another non-assured organisation preferred a consultant assurance provider. However, the remaining non-assured organisations generally did not have a preference. Formerly assured organisations had previously sought both accountants and consultants. Three had previously sought consultant assurance providers, while the other two had used accountants. None of the formerly assured organisations held negative opinions regarding either type of assurer. One smaller organisation commented that accountant assurance providers were generally more expensive and out of their budget range. While another formerly assured organisation currently use an accountant assurance provider for their carbon disclosure, mainly due to them being their financial auditors, as "...they already understand our company, our history of reporting, so I think there are some efficiencies there." While currently assured organisations use a reasonably even mix of accountants and consultants. Additionally, some of these organisations were interested in switching to an assurance provider from the other category to gain a fresh perspective on their

reporting. One of the reasons presented for using an accountant assurance provider was due to streamlining advantages and being a well-known brand:

[Our accountant assurance provider] do our financial auditing as well, so we could see some overlap and we thought that we could streamline the process. And also that they were one of the bigger players, a name that was recognised [was] important for our board and our audit committee, as opposed to picking some of the specialists that weren't perhaps as known...

However, the organisation was now interested in consultant assurance providers. "I think we've probably moved on and would be open to companies now that could probably offer more specialist expertise to us, as opposed to solely being an assurance process..." The other assured organisation contemplating switching assurance provider types noted that they chose their consultant assurance provider due to being a cheaper option, but now were ready to change as they had been with their current provider for many years and were keen to obtain a fresh perspective. Their preference was their financial auditor. The other two assured organisations were both happy with their current consultant assurance providers, choosing them for their expertise in the area, prior dealings with the organisation and their reputation.

Another issue discussed was the unregulated nature of assurance, and reduction in scope. One non-assured organisation discussed that unregulated practice of assurance was a potential issue, "...you can get assurance, but assurance against what? And some assurance, lets face it, can be tailored and bought..." One of the former employees of a formerly assured organisation also believed stakeholders could be cautious over the assurance provided:

I certainly think that there's 'assurance' and there's assurance. [Because] you can have incredibly narrow assurance with so many bloody disclaimers that... if you know what you're looking for you just go, well, it's an assurance letter, however... as a reader, it's not necessarily giving you all that much assurance... I guess the description of the scope of the audit, unless you truly know how to interpret a particular set of words, it can be I think somewhat misleading on what have they actually assured and what [stakeholders can] take in terms of level of comfort from them.

While another formerly assured organisation stated that assurance was often not comprehensive, where the lesser scope can greatly reduce assurance value:

...The assurance is normally around the principles of a standard like AA1000 or GRI... and for GRI verification it's around if you said you reported that indicator, did you actually report it in that way? It isn't assurance around 'is the information actually correct?'... There's even more limited value to that assurance... when it doesn't actually tell you whether the information is correct.

Similarly, one small non-assured organisation also believed assurance of a lesser scope had

greatly reduced value:

...the sort of low level [assurance engagements] seemed a little bit meaningless, they just really check that your numbers add up more or less in case you've done the maths wrong, but if you've collected the wrong data you were okay.

While one accountant assurance provider spoke about how stakeholders needed to pay attention to the scope of the assurance engagement, and that if reduced scope was an issue, stakeholders needed to confront the reporting organisation:

Assurance opinions do vary quite widely in this area... [Stakeholders have] got to read [the assurance statement] and understand what it is that's being assured... And if they've got issues with the scope, they've got to go back to the company and point it out... [The scope could] be just 'does it comply with the principles in the GRI?' And it could stop there. So [the assurance statement] may not say anything at all about whether the information is true and fair... Or it could be that they used the AA1000 principles for defining what's material, but then you know you want to go the next step which is, 'okay so what's actually been assured?', and you'll see quite a lot of firms actually have difficulty in actually pinpointing exactly what has been assured. Also it could be indicators, or it could be all the information in the report. So that's the other thing, it could just be the top 10 indicators... You need to read the report quite carefully.

Another main issue coming through was the perceived difference between reasonable and limited assurance. One of the assured organisations noted the difference between reasonable and limited assurance could potentially cause caution for stakeholders:

...Last year we were looking at [changing assurance provider,] but they were going to do it at limited... Because for [an accountant assurance provider] to do reasonable is hardcore stuff, and the cost is way more. And our boss at the time was kind of like well; we're going from reasonable to a limited. [Stakeholders] might think that we are doing less because people don't understand what those words mean...

Additionally, another assured organisation noted that while they had obtained limited assurance which may appear less comprehensive, it still provided a full, robust check when coupled with statements regarding stringent internal reporting systems:

I mean some stakeholders may consider that we should have gone through a robust audit and gone right through the paper trail and gone further, but I think the fact that we talk about, in our annual reports, other systems that we have in place that are subject to those audits, it sort of balances out where they may be a little hesitant with the quality or the level of the assurance that we have obtained.

Overall, there were no issues presented that were over-riding factors causing organisations to decide to not adopt assurance over their social and environmental disclosures. However, there were some underlying issues presented that were decreasing the overall value of assurance.

8.8 Is New Zealand keeping up with reporting and assurance trends?

Non-assured organisations had some potential insights into why New Zealand was exhibiting lower levels of assurance and overall reporting. One non-assured organisation believed that there was generally less need to report on social and environmental performance in New Zealand when compared to organisations operating in third world countries:

...There is a greater requirement if you're operating across multiple countries to be transparent about your operations... Within the New Zealand context, you know human rights aren't really an issue, environmentally... a lot of that is mandated under the RMA [Resource Management Act] anyway... You're largely covered I think by operating in New Zealand... Apart from maybe the carbon stuff, and some of the environmental stuff, a lot of this stuff [outlined in the GRI] is largely irrelevant [for New Zealand.]

However, two non-assured organisations discussed that while New Zealand is not appearing to require assurance; many New Zealand businesses who export into markets such as European countries are likely to be. While a further two non-assured organisations added that New Zealand was slow in their adoption of social and environmental reporting. The small non-assured new reporter commented:

I think that some overseas companies are a lot more advanced than we are, maybe because there's a better understanding [of sustainability], and maybe because there's, they're just generally ahead of the game whereas we've been a bit slow to react.

Another non-assured organisation had even thought that perhaps New Zealand has gone backwards in their social and environmental reporting:

At the moment I think [sustainability has] gone completely off the radar in the last two to three years. It was quite strong when we first started it... At the time, certainly there was loads of people doing it and loads of support with things like the NZBCSD... The focus has probably gone off sustainability for a bit with a combination of... lack of political leadership, and the economic crisis.

This non-assured organisation commented specifically in regards to the NZBCSD:

...the NZBCSD, I mean they've pretty much all but closed up shop, they're not as strong as they used to be... They used to publish really good tools and they used to put on workshops, and those tools certainly helped us. I'm not sure that they're as available or as promoted any more... obviously there's less money available for those sorts of agencies to do those things...

While one non-assured organisation discussed how the change of government negatively impacted disclosures, "[Social and environmental reporting] was important to the Labour government, but I

think once National came in it was like well, actually, tell me how you're performing, what's your return to the shareholders..."

Formerly assured organisations also stated many material differences. However, one formerly assured organisation discussed how social and environmental reporting differs across many regions, making comparison difficult:

...Overseas is not one big amorphous blob... What's happening in Europe is different from what's happening in the US, is different from what's happening in Asia... Often, organisations here are part of multi-national organisations... They tend to report under their parent organisation, so I think the New Zealand marketplace is quite different. I don't think you can compare it as easily, you know you can't take [New Zealand] and compare it directly with a European marketplace... I think that it is different, but I don't necessarily think that it is comparable.

Nevertheless, other formerly assured organisations discussed how mandated reporting created material differences in some jurisdictions, with one commenting:

I think [New Zealand] can be materially different than some jurisdictions, because some jurisdictions have mandated reporting of some aspects of non-financial information, so yes it's materially different to jurisdictions where that occurs.

Another difference between New Zealand and some overseas countries outlined was also size related, with another formerly assured organisation stating:

New Zealand is probably smaller, and perhaps not as committed to sustainability reporting so widely as Australia... I guess New Zealand is largely small and medium enterprise businesses so that cost factor is rather large.

Another formerly assured organisation also believed that the 'vast majority' of New Zealand businesses being SME's was one factor impacting the take up of reporting and assurance. However, this organisation also stated:

...a significant number of... large companies do report in some form... Although, not necessarily to the level of data and information you might think was desirable if you were interested in such stuff...

An additional formerly assured organisation agreed with this statement. "...You tend to get annual reports with a little bit about sustainability in them, a bit of lip service paid to it ... True sustainability reports are few and far between I think." This organisation also noted that green-wash was a possible reason for rudimentary social and environmental reporting, which could be why assurance was not often sought. "...There's a degree of green-wash around sustainability reporting in New Zealand, and verification doesn't allow you to do that." One former employee of

a formerly assured organisation believed that New Zealand businesses placed a low value in social and environmental reporting:

...I don't think that the business community sees that there is much value in doing sustainability reporting. I think there's some big overall politics in that regard, but there's also a whole lot of societal things and attitudes... I guess that's also been a reflection of why the number of reporters who actually get assurance have also dropped off, because those organisations who have really stuck in there have tended to try as a consequence to contain the cost as much as possible about what they've done.

One formerly assured organisation also noted a lack of perceived value and understanding of social and environmental reporting within New Zealand, and that the current government was not championing it like the previous government had. Additionally, this formerly assured organisation spoke about how business agencies that support social and environmental performance were not driving change currently:

"I've been a member of the NZBCSD and Sustainable Business Network, and neither organisation has been very vigorous about getting their members to report. The [NZBCSD] is supposed to have that criteria, 'thall shall report after three years,' but have been reasonably lax about enforcing that. And the SBN has said, 'we don't want to, we don't think reporting is the answer, we don't want to put that additional cost onto our members'..."

Interestingly, these two formerly assured organisations believed that New Zealand had a higher incidence of integrated reporting, where many organisations have eschewed standalone reporting. One stated, "...I think in New Zealand we've always taken more of an integrated reporting approach... most organisations that I know that started by having a separate report have integrated it over time..." While the other discussed how integrated reporting was only starting to emerge as an international trend, and believed it was beneficial. "...To me, when you separate out the non-financial information from the financial information, you're actually losing the connections as to how those two things interrelate..."

Assured organisations believed that their disclosures were on par with what was being exhibited internationally. However, one assured organisation noted that some large multi-national organisations obviously will go further in their assurance engagements as they have phenomenally bigger budgets available:

...We don't see anything different in companies [in our sector] in Australia that go through assurance processes. European maybe, in that they're more global companies, so the level of information that they're having assured is at that international sort of level, where ours is quite specific to our business...

This assured organisation also thought that assurance was low in New Zealand due to the country's smaller sized organisations, while another assured organisation discussed how there was little take up of social and environmental reporting, let alone assurance in New Zealand:

...The percentages of companies doing [sustainability reporting in other major countries] compared to New Zealand, I just don't think we're in the right ballpark. I mean, we're the only [organisation in our industry] doing it, there are a lot of other [companies in our industry]. [Our] industry is kind of contentious; we take a natural resource and make money out of it...

One assured organisation stated New Zealand had reduced risk of social issues than some countries which could be reducing the need for assurance, however the organisation also noted that there were New Zealand organisations with operations within these countries. "...Processing plants in China and stuff like that [could spawn] child labour issues and bribery and corruption issues..." While another assured organisation discussed how the lack of reporting and assurance in New Zealand impacts the assurance providers' ability to keep specialist expertise in the area of social and environmental assurance within New Zealand. Finally, one assured organisation commented that the general attitude of New Zealanders was potentially a reason why social and environmental reporting was not being valued highly. "...I think it's the kiwi 'she'll be right' kind of thing, 'why do we need to do that?'... It's kind of we don't want to do things until we've really got to do it."

Assurance providers discussed how certain countries, such as South Africa and some European countries, had strong drivers for assurance and reporting which were not occurring in New Zealand. One accountant assurance provider stated, "You have different drivers in South Africa. It's [almost] mandatory... [Obtain assurance,] or disclose why you don't... Even the reporting is kind of an 'if you don't report, explain why', which is a big enough incentive for people to report." This accountant assurance provider also commented that European organisations and multi-nationals appeared to have stronger incentive or drivers to report with assurance. While one consultant assurance provider discussed how certain sectors were more likely to report:

...In Australia there's been very strong sector take-up. [For example,] the mineral industry... Internationally you'll see optics, oil, industry, pharmaceutical, some consumers' products. There are definitely sectors where this is seen as being far more important than others, and often those are sectors that have high challenge to their licence to operate. There's not much of that in New Zealand... [New Zealand organisations] haven't really had Greenpeace [opposition] or big consumer boycotts.

However, this assurance provider noted that New Zealand has industries that could have potential licence to operate issues arise, and that some of these organisations were indeed reporting, often

with assurance, "We see the Watercare's of this world being heavily engaged in it, we see energy companies doing it..." The former consultant assurance provider noted that New Zealand has a big dairy industry which was pretty high risk environmentally. While the accountant assurance provider believed that social and environmental disclosures and assurance should be important for New Zealand due to being "so dependent" on the country's export markets.

Assurance providers understood that there was a lack of pressure or urgency from New Zealand stakeholders driving assurance of disclosures, or even driving disclosures in general. One consultant assurance provider added to prior discussion of lack of pressure from section 8.2, stating, "at the moment a lot of businesses are struggling with [the questions] 'why are we disclosing?', 'why are we making these... statements if no one's listening?'" This consultant assurance provider discussed how globally, stakeholder pressure has been a prominent driver for assurance:

...The work that we've done globally in terms of assurance has been driven by an investor or an investment group who are demanding information, or consumers demanding information. I don't think there is that driver here in New Zealand. Definitely not on the investor side, and even on the consumer side... I don't think consumers are generally that interested...

This assurance provider attributed the lack of consumer attention to retailers, noting how some large overseas retailers have become champions for 'sustainability':

In the UK, Tesco's, Marks and Spencer, Sainsbury's all have sustainability as a core brand. So, consumers see it day in, day out... They see it, they start demanding it... There's no one in New Zealand who's taking that role on...

The former consultant assurance provider noted that the New Zealand public did not have urgency in their environmental agenda. "...Because there's no urgency, the customer is not necessarily making the decision [to seek disclosures.] Therefore, the corporates don't have the drivers to be seen to be environmentally and socially responsible." One accountant assurance provider also noted that the current New Zealand Government is not advocating the importance of social and environmental disclosures. "I think with the political change, sustainability in New Zealand almost became a dirty word... There were alternative words that we used like productivity or future proofing..."

Assurance providers also believed that organisations did not value or fully understand how their social and environmental performance impacts financial profit. One accountant assurance provider

commented that New Zealand businesses measuring and releasing these disclosures alone was a big step. This assurance provider also believed that New Zealand had an under-developed understanding of social and environmental reporting:

...Some [organisations] view it as a cost, maybe a nice to have, without actually understanding that if you... embed sustainability into your strategy and governance processes, you're actually going to be much better off in the longer term financially...

Another accountant assurance provider believed that many organisations erroneously think that these disclosures are not relevant:

On the one hand you've got those sorts of companies that think, 'well, we're not a big polluter so we don't have to report.' [However, they have] got a huge community and social part to [their] business... And then you've got your big polluters who kind of go, 'well, everybody knows we mine coal so what's the point of doing a sustainability report, you know, people just think that we're green-washing,'... And then you've got the ones in the middle who probably would benefit from getting a grip on their supply chain...

This assurance provider also believed many New Zealand businesses struggled with sustainability reporting as it is not properly embedded into their business strategy:

[A sustainability strategy is often] not sitting in the business... The goals should already be in there, they should already be reporting them through the Board. And then at the end of the year they should just pick it up just like you do with the financials... And yes, you want some fluffy bits probably about some nice stories and some nice photos and that sort of thing, but I don't think New Zealand has really grasped that it's not about PR stuff, it's actually about your problems and your targets and your performance.

While one consultant assurance provider also believed organisations struggled with their sustainability strategy. One consultant assurance provider stated, "[New Zealand] businesses are very backward in terms of sustainability. Almost, the sustainability strategy for a lot of companies, notably the small to medium sized entity ones, is that we're in New Zealand so obviously we're sustainable..."

Assurance providers also discussed how New Zealand has targeted reporting and assurance, which was believed to be a material difference. One accountant assurance stated:

In the area of sustainability, some businesses will do reports related to some aspects of sustainability, or they will do sustainability reports of which they will get aspects assured in that report. So, it's just a very New Zealand-centric type of way about it I think...

Finally, one consultant assurance provider discussed how reporting and assurance rates in New Zealand are potentially diminished by multi-national organisations reporting on a global scale:

A number of companies aren't reporting in New Zealand, they're reporting in a rolled up way to a multi-national... Assurance then isn't driven out of New Zealand; it's driven [from] elsewhere. So although there is assurance happening on business practice in New Zealand, but not in New Zealand, or not driven out of New Zealand.

SUMMARY OF INTERVIEWEE RESPONSES TO MATERIAL DIFFERENCES IN NEW ZEALAND

	No. of Non-assured Organisations	No. of Formerly assured Organisations	No. of Currently assured organisations	No. of Assured organisations	Total no. of Responses
Material differences in jurisdictions		2		1	3
Lack of high attention/large industry		2	1	1	4
Lack of social drive		3	1	3	7
Lack of social awareness				1	1
Good environmental and social regulation	1		1		2
No Government pressure	1	1	1	1	4
Lack of organisational understanding		1		3	4
Targeted reporting and assurance				1	1
Green-wash reporting purpose		1			1
New Zealand slow to develop in this space	1	1	1		3
Lacking business agency support		1			1

8.9 The future of assurance in New Zealand

Moving forward, organisations were questioned whether they were planning on obtaining assurance in the future, to gauge whether New Zealand's currently declining assurance percentage was going to keep declining, stabilise, or even start to increase. Most non-assured organisations were interested in reconsidering assurance in the future, and one is seriously considering obtaining it in the future. One of the non-assured organisations believed that assurance was almost guaranteed at some point in the future for their organisation:

We're looking at our next sustainability plan which will be a 20 year time-line, and in that there will be some targets which are absolutes, and one of those will be... sustainability reporting at world's best practice. So if world's best practice says it's got to be verified and assured then that's what

we'll do. But when that happens over the next 20 years is yet to be determined...

While another non-assured organisation would reconsider assurance in the future. "In the future I can see us combining our [annual report] with our sustainability report... it would make sense for us to re-consider external assurance at this point." The non-assured small, new reporter, however, felt currently uninformed about the benefits of assurance, "at this stage I don't know what those benefits would be and until I have an opportunity to look at it and read into it, I don't think that we would go down that track [of obtaining assurance.]" One of the non-assured organisations considered providing assurance statements in their reports in the future, "...I don't know if we would go to the extent of having [external assurance] statements at the back, but maybe it's something that we add into [the non-financial disclosure section of the Annual Report]". Finally, one of the non-assured organisations would like to return to assurance over carbon reporting, while the other non-assured organisations with assured carbon disclosures stated that they would continue to obtain assurance in this area.

Most of the formerly assured organisations believed they were going to revisit assurance again in the future in some form. One formerly assured organisation was planning to keep obtaining carbon assurance into the future, and noted that they will likely broaden the scope of their assurance again in the future at some point, as they have previously done so over the years. However, this organisation noted, "...we're not committed to doing it in an annual basis." Another formerly assured organisation also believed they would obtain assurance again soon:

I think we probably will [obtain assurance] in the next couple of years, particularly if our peers in our sector do. But, it's very much a case of not wanting to lead, so you're not expending unnecessary time and effort, but also not wanting to lag behind... It will really depend where the whole pack moves. But, I see the pack moving in an assurance direction.

The formerly assured sporadic reporter believed that they will obtain assurance for their next full-fledged social and environmental report; however they were not planning to produce one for a few years:

...We're maintaining our carboNZero status and getting that verified every year, and doing a scorecard reporting on our key issues. I think it probably keeps our stakeholders informed enough... Maybe every five or six years we might do a full report, we'll see what happens.

One formerly assured organisation was to date happy with their current stakeholder panel approach to assurance. Lastly, one formerly assured organisation was unsure over whether they

will revisit assurance, but noted that they had been dwelling on other approaches to external assurance:

...There has been some discussion around other ways that we can approach external verification. Whether it's using other, lets say, [university] students to go through all our [disclosures] and make notes and say 'why?' and things like that, or work with overseas groups to do the same... It is probable that we go that route rather than paying external companies to come in and go through our data as well. It's not ruled out [though]...

All current assured reporters were sure that they would continue to seek assurance into the future.

Only one assured organisation was investigating alternative assurance options:

I think we'll continue to do assurance of our reports. In what form could vary over time... Our stakeholders [could] actually be our verifiers of statements because they've been involved so closely with business activities that we're reporting in our annual report... So that's obviously like assurance from a panel... Obviously those stakeholders can't come into the business and assure processes and data collection, so that might be replaced more by an... internal audit... But I would say we've probably still got a bit of time and future in the space where we're at at the moment.

Finally, assurance providers offered their thoughts on where this piece of business was likely heading, believing that while currently it was not a large or growing piece of business, it will be in the future. Only one consultant assurance provider felt that business was slowly picking up, suggesting assurance was a cyclical proposition. "I think it's kind of cyclical. Before I joined [the organisation] there was maybe... four or five assurance jobs or ongoing projects, and then it kind of dipped and now we've seen a little bit of a resurgence..."

Organisations and assurance providers were also questioned whether reporting and assurance was likely to increase in the future within New Zealand, and what drivers would be required. This questioning attempts to understand how assurance may change in the future, and what factors would drive an increase in reporting and/or assurance. Beginning with discussion from non-assured organisations, one non-assured organisation felt that change was occurring already as far as increased business take up of social and environmental reporting:

I did GRI training early this year... there were a few State-Owned Enterprises, major companies, sending their people... to get across the requirements for sustainability reporting. So, that's kind of evidence that it's already starting to happen.

This non-assured organisation also discussed how business groups such as the NZBCSD and Business New Zealand were attempting to (and could succeed at) driving reporting:

Business New Zealand... are looking for New Zealand businesses to start using GRI as a framework so that New Zealand businesses can benchmark against each other. And the international customer

can actually gauge a New Zealand supplier against an international supplier. So I think the idea is that they will push New Zealand businesses to use GRI, and at least look at a level C application level as a minimum for a New Zealand business.

However, this change alone will not drive assurance, as assurance is not mandatory for a level C GRI level.

One non-assured new reporter believed that awareness and understanding will be the main driver.

"...Until the bigger picture is actually painted, or until people are made aware of it, I don't think people are really going to buy in..." While, another non-assured organisation believed their main driver for assurance would come from the investment community:

...We have made it into the FTSE4Good Index [and] a new index created for Australia and New Zealand which combines FTSE4Good with CDP; It's a joint index... If we start to appear in a number of these indices, but we're not in a leadership position because we haven't got verification or external assurance, that's going to be a driver for us...

Formerly assured reporters also presented several opinions on the ways assurance may increase in the future. One formerly assured organisation believed that social and environmental reporting was still greatly evolving and was going to become increasingly significant over time, as over a long time-span there has been a steady increase of prominence of reporting and sustainability. Another formerly assured organisation talked about changes occurring currently, where they believed organisations were improving their monitoring of social and environmental performance, but were yet to release this information externally:

...Organisations are not necessarily reporting externally, but they're certainly getting better at monitoring their performance from an environmental perspective, or... they're recognising that there is a need to do it. So I think that perhaps as they get better at doing that stuff, then they'll start to report it publicly more.

One formerly assured organisation was of the opinion that nothing was likely to change in the short term, considering the tight economic climate New Zealand was currently in, but believed consumers would be the main driver in the future:

I think it's around consumers really... If there was a company exposed to [consumer pressure], where they could see that there was a high level of consumer interest, then there would be more reporting, and more management of these issues... If there's a cost in it, why do it if it's not meaningful to the customer. If it's not helping to sustain or grow my market share and it's going to cost, my duty to my shareholders is not to do it.

Another formerly assured organisation believed that regulation was unlikely as a potential driver,

although large organisations will likely have to get their carbon accounting assured under the New Zealand ETS:

There's a lot of businesses who will not do something unless it's mandated, and I can't ever see sustainability reporting being mandated. As the ETS comes into effect, carbon measurement will become effectively mandated because you will be paying for your carbon, therefore you will have to measure and you will probably have to have third-party verification of that, for the large companies that are part of ETS. The rest of us don't have to, or will not have to, as we're excluded from it.

Maturity of reporting was stated to be an unlikely driver, as one formerly assured organisation stated that some New Zealand reporters have been reporting for over ten years:

...If you take Landcare Research, Watercare Services, Meridian, URS NZ... The Warehouse as well, have all been sustainability reporting in some sense for more than ten years... It's got to a level where it's seen as... fulfilling a purpose, not I guess being valued wider. So a company says, 'well we'll continue to do it but we're not going to take it to the next level,' and in some cases that next level would also include assurance.

The former employee of a formerly assured organisation believed that the use of independent stakeholder review will be more likely to increase instead of an external assurance engagement:

In New Zealand, I don't think [assurance] will be particularly widespread. And I'd like to think that some of the leading and responsive businesses will increase the amount of, I guess, independent stakeholder comment in their reporting...

Finally, formerly assured organisations discussed how the way organisations report may change over time. One of these organisations believed changes in disclosure presentation could drive assurance:

[Currently,] I don't think for an external audience anyone particularly cares [about assurance]. But, I think that's on the back of a larger issue that the stakeholder groups you're trying to communicate with on social and environmental issues, the annual report is not a good communication channel for those groups... So they're not in general reading the annual report and they're certainly not going, 'Oh, and it's not verified.' I think it would be great if stakeholders did care about assurance as this would have the potential to drive much better sustainability performance from companies.

Some assured reporters believed that they were currently a positive influence upon other non-reporting organisations. Another current driver for social and environmental reporting was business agencies. One assured organisation also commented that the Sustainability Business Forum was creating standardised social and environmental performance metrics for New Zealand businesses. Another assured organisation noted that the NZBCSD is now not providing much support in this regard:

...Initially, I learned everything about sustainability reporting from [the NZBCSD]... They'd run [sustainability reporting] courses, and they were fantastic... They were so good at just really driving

change and understanding and getting people involved... [Business New Zealand has now started] running some workshops and doing some courses on sustainability reporting... We want it, and it's needed.

One assured organisation also commented that their European and American export markets will likely drive social reporting and assurance:

[Our organisation] exports 80 to 90 percent of our product... We're driven by Europe and America, and they spout on about, 'By 2012 we're going to have all [sustainably sourced product from our industry]'... We've seen nothing... [However,] when that stuff starts trickling down, and it probably will actually flow down once people suddenly start going 'you know what, I'm only going to buy from a company who does this, this, this and this'. We want to be ready as much as possible, but you're kind of getting ready for the unknown...

However, this assured organisation noted, "...until community, society are more aware and asking the questions, organisations are not going to do it." Finally, two of the assured organisations noted that social and environmental reporting can be a great marketing tool, however current business understanding was believed to be lacking, or that potentially shareholders and customers did not currently place value in it. One of these assured organisations stated:

...Basically at the end of the day your annual report, unless anything more than... your financials, is marketing. So you know, the extent to which you use your annual report and your assurance process as a branding and marketing tool, then that's what will drive [assurance]. So if your customers require you... to be able to assure them that you are squeaky clean... and you've got a third-party [assurance statement], then there is value in it, but if your customers don't give a stuff, then why spend the money on it... It's a cost borne by the shareholder... So from that perspective, it's driven as much as anything by your shareholder...

All assurance providers believed that social and environmental reporting was going to increase in New Zealand. One accountant assurance provider stated that some change had already begun. "For example... [one large New Zealand organisation has] now got an executive member who is responsible for sustainability, and that's great, and it's because it's about business..." One consultant assurance provider believed that social and environmental awareness and reporting may grow from the recent natural disasters challenging New Zealand businesses:

I would imagine over the next little while we'll see much bigger focus on [sustainability] for the organisations that have been challenged in the last year with risk associated with natural hazards; the earthquakes in Christchurch, those who are at risk from things like their energy supplier, the Vector issue, the Rena issue... People are beginning to become a little aware that there are some things out there that might be important for them to be thinking about, and are part of the investment profile for them.

While one consultant assurance provider was the only assurance provider believing that assurance was possibly going to start growing soon. "I have to say; from my perspective it sounds like or

seems like it is growing, I've heard a lot more in the marketplace around reporting and assurance [lately]."

As far as drivers for assurance in the future, one consultant assurance provider stated that increased consumer interest will drive assurance. "I think if the consumer interest grows, and that segment of the market is seen to be... more vociferous in requiring disclosure and assured disclosure, then [assurance adoption] will grow." Another consultant assurance provider discussed how the move towards true integrated reporting may drive assurance in the future:

I think the drivers for [assurance] will be far more sort of from the integrated reporting initiatives rather than standalone sustainability reporting I expect. How fast that will happen? Well the IIRC thinks it's going to be happening fast. I'm a little more sceptical about how fast that might happen, and how fast that might ripple in New Zealand.

One accountant assurance provider believed that the Maori sector will become an important driver for social and environmental reporting and assurance, as there is:

...Deep understanding and focus in relation to sustainability in Maori. And the inter-generational aspects. And I think that as Maori become more wealthy, and particularly with the Treaty settlements that are occurring... that we're going to hear a lot more from a very big chunk of business which is Maori... I think it will be a very big driver, in that Maori do want to hold New Zealanders to account really in terms of appropriate use of resources...

Another change raised regarding the adoption of assurance was whether long-term reporters would start obtaining assurance. One consultant assurance provider believed that they may:

...It's very much, 'we've got to that level, we're happy with our disclosures, the next step is assuring those disclosures... I think once an organisation is happy with how they're communicating sustainability, that it's hitting the right audience and that they're getting some sort of benefit from disclosing full stop, it will get to a stage of actually, yip, okay, the assurance piece has to come in as well... [Assurance] will kick off naturally, but I think it's just an evolving area.

This consultant assurance provider then discussed how the presentation of disclosures could change which would impact the value of assurance through increased stakeholder attention and value for disclosures:

How it's going to be presented in the future is changing, whether that will be a full blown report, whether it is an integrated report, whether it's disclosures on the website, I think that's going to change. I think organisations are, or at least the more sophisticated ones are sort of realising that it doesn't have to be a report... Definitely, I think assurance is important, where it sits or how it happens is probably going to be different in the future, or it's going to change as it goes along.

Finally, this consultant assurance provider noted that the current trend of integrated reporting and

combining your social and environmental disclosures into your annual report:

...Makes sense to a certain level, but who is reading your annual report is completely different to whom you're disclosing sustainability to... I think it fundamentally misses the point that you're not talking to the same audience.

SUMMARY OF INTERVIEWEE RESPONSES OF FUTURE ASSURANCE

DRIVERS IN NEW ZEALAND

	No. of Non-assured Organisations	No. of Formerly assured Organisations	No. of Currently assured organisations	No. of Assured organisations	Total no. of Responses
Business groups	1		1		2
Social awareness/ consumers	1	1	2	1	5
Investment community	1		1	1	3
Evolving Communication Channels		1		2	3
Being a Positive Influence			1		1
Export markets			1	1	2
Maori				1	1
Reporting maturity				1	1
Environmental challenge				1	1
Use of Stakeholder Panels Instead		2	1		3

9. ANALYSIS

9.1 Voluntary social and environmental reporting: Why do organisations report?

Organisations provided numerous reasons for reporting social and environmental disclosures. One contributing factor for reporting discussed by some organisations was how reporting helped improve stakeholder perceptions of their organisation. However, no organisation overtly indicated that the primary purpose of their reporting was to obtain these perception benefits. This was key, as clearly if disclosures were produced for this reason, assurance of the underlying data would arguably be less beneficial. The underlying factual content and balanced reporting of the disclosures would then likely be secondary to the objective of telling 'good stories'. Therefore, under a primarily marketing purpose for reporting, assurance would only be beneficial where users of the disclosures specifically desired to see a statement before accepting the information as credible. There is support for assurance adding credibility to disclosures for stakeholders (Carey et al., 2000; Hodge et al., 2009), and of stakeholders viewing non-assured social and environmental disclosures as 'green wash' (Laufer, 2003, p.255). However, there may be little difference in overall stakeholder perceptions of disclosures with the presence or absence of assurance statements (Milne and Kuruppu, 2010, p.13). It seems that overall; stakeholders do feel better about an organisation after reading their disclosures (Bartels et al., 2008, p.2). Therefore, assurance may not be important if the overriding purpose of reporting was to market the organisation as 'sustainable' or 'green' in most instances.

While some reasons stated for reporting were internally driven from an organisation perspective, such as business risk management, all organisations were also producing these disclosures with an external audience in mind. Overall, organisations' target audience for disclosures met the broad definition of 'stakeholder' espoused by Freeman (1984), where a stakeholder is "...any group or individual who can affect or is affected by the achievement of the organization's objectives" (p.46). This definition includes stakeholders such as the community the organisation operates in, as opposed to a narrower definition of stakeholder such as those requiring direct relevance to an organisation's core economic interest (Mitchell et al., 1997, p.857). This indicates that New Zealand organisations are attempting to transparently disclose their performance to a wide demographic.

Overall, there were no material differences between the assured, formerly assured and currently assured organisations in regards to their purposes of reporting or their target demographics which would cause these demographics to obtain or not obtain assurance in New Zealand.

9.2 An absence of assurance

Organisations discussed numerous reasons for why they did not seek assurance for their latest report. The most common reasons stated for not obtaining assurance followed those discovered by Park and Brorson (2005), where the four most common reasons were the assurance fee being too high, assurance not adding sufficient value, the organisation not being ready to implement assurance into their reporting system, and there being no pressuring need for assurance from stakeholders (p.1100). However, many organisations cited multiple reasons for not seeking assurance, although often to varying degrees, with three organisations citing three or more major reasons. Careful analysis of the causal effects of reasons stated by organisations for not reporting has enabled an understanding of which reasons were central, major factors from which many of the other factors, often largely interrelated, stemmed from.

Overall, nine organisations mentioned that there was a cost aspect to the decision not to obtain assurance, however only two organisations believed this was their main issue, with the remaining organisations feeling that it was strong, yet largely additional factor affecting assurance adoption. Organisations generally commented about how cost was both externally and internally generated from the assurance engagement. However, the external cost alone was materially restrictive for the two organisations citing cost as their main barrier towards assurance adoption. One of these organisations could have made the funds available to pay for the assurance if needed, while the other organisation was currently constrained by financial hardship to the point where even assurance over only their carbon disclosure was cost prohibitive. Therefore, cheaper assurance tenders would likely appeal to only one of these organisations, as the other was not in the financial position to consider additional costs to business. These findings corroborate with Owen et al. (2009), as cost appears to not be an issue by itself, as there also has to be perceived value received for the money spent (p.21). All nine organisations in this thesis mentioning cost as an issue inferred that while costs were easily obtainable, the benefits provided were more difficult to measure, which Park and Brorson (2005) also discovered in their study (p.1102). Overall, it appears that cost

alone is often not a barrier for organisations when considering obtaining assurance in New Zealand, but is generally a contributing factor.

The barrier of cost can be partially addressed. The first way cost of the assurance engagement can be minimised is to seek a consultant assurance provider rather than an accountant assurance provider, as consultants were noted to be generally cheaper by numerous organisations. The second way to obtain a cheaper assurance engagement was to reduce the scope of the assurance engagement to only include the materially significant disclosures. Although, it must be noted that many organisations have already reduced their disclosures to only those that are material to their business by not fully adhering to the GRI reporting guidelines, although scope of assurance is not constrained to cover all of these material items. In a way, many organisations were already obtaining assurance in this regard by obtaining assurance over their carbon data. Cost could also be reduced by obtaining a less intensive limited assurance engagement. However, as one accountant assurance provider noted, the cost of these actions is still large for many organisations, especially in the current economic climate.

Another clear reason stated for not obtaining assurance was the lack of perceived value or benefit received from the engagement. Seven organisations stated this was an issue, with this believed to be the leading reason for not seeking assurance in three cases overall. It appears that externally, value is closely linked to pressure, as three of the seven organisations citing lack of value inferred that lack of pressure was the main reason to ultimately not obtain assurance, as there is no external value received when stakeholders are not seeking assurance over organisations' disclosures. There is then only internal value received in these instances from the engagement.

Interestingly, the results from Park and Brorson (2005) suggest that organisations stating value or benefit as a barrier did so for lack of internal value (p.1100). Whereas, results from this thesis suggest that organisations were often concerned about the lack of both internal and external value. It appears that organisations citing lack of perceived external value often stated lack of external pressure as their main reason for not obtaining assurance, while those stating a lack of internal value generally inferred that their reporting systems were robust. Park and Brorson (2005) also linked a perceived lack of internal value with organisations having other systems in place to

provide credibility (p.1100). Two organisations expressly stated that they had found better alternatives to this form of assurance, with both citing this as their main reason to not obtain assurance, where one sought carboNZero certification, while the other conducted a stakeholder panel. Of note, both of these were external communications, not internal processes.

One of these organisations believed that the value case for stakeholder panels was stronger for them than their previous formal assurance engagement. This organisation noted that the stakeholder panel could not assure the accuracy of the disclosures, which was handled by their own robust internal systems. However, another organisation had noted that these panels are unable to completely replace traditional external assurance, as they cannot provide assurance over the underlying data. So in theory both styles of assurance engagements could be used together to produce even greater credibility of disclosures. Although, cost is often an issue for New Zealand organisations which will greatly discourage organisations seeking both engagements in tandem. Therefore, stakeholder panels are a contributing factor to the decline in assurance adoption, although yet to be of large material significance in New Zealand with only one organisation currently using this approach.

The organisation believing that carboNZero certification provided more benefit than an assurance statement, was due to the carboNZero certification process including assurance from an independent assurance provider and believed this was more valuable to their external stakeholders. Although, the assurance engagement underlying their carboNZero certification did not assure every social and environmental disclosure they were reporting. While stakeholders may be aware that carboNZero certification includes an assurance engagement, the stakeholders will likely not understand what items have been subject to assurance in the report. That is, unless the stakeholder held a thorough understanding of the carboNZero process. Interestingly, many assurance statements have also been guilty of being unclear regarding what items have actually been assured in reports (O'Dwyer and Owen, 2005, p.217). Therefore, both credibility adding oversight functions may be inadequate in communicating what items have been assured to stakeholders. The organisation relying upon this belief of greater benefit provided by carboNZero also used of an additional assurance engagement when preparing the report, which also illustrates that carboNZero certification is not a full replacement for an assurance engagement overall as

there are disclosures that fall outside of this certification. Preparing the disclosures for reporting in a public document also benefited from the additional assurance engagement.

Other organisations also obtained carboNZero or other similar certification; however no other organisation mentioned carboNZero certification as a reason to not obtain assurance. Only one of the formerly assured organisations put strong emphasis upon numerous certifications as part of their replacement for assurance, but this also went alongside other forms of scrutiny from Government oversight organisations. Overall, it appears that only one organisation believed that their certification went above and beyond what an external assurance engagement would provide externally.

As previously noted, pressure was another major factor sighted by four organisations, and for three of these organisations it was a major issue. It was clear that organisations overall were not facing pressure to obtain assurance from their key stakeholders. As mentioned earlier, this lack of pressure is creating a lack of value for obtaining assurance, where pressure is the main driver. If pressure increased, the value received from assurance would also increase, as the external value was currently low due to a lack of interest. One of the non-assured organisations illustrated this point by stating that they would obtain assurance if there was significant pressure from stakeholders, but otherwise they could not justify expenditure when there was no demand. The other organisations also would change their opinion of the value of assurance if there was more interest and pressure exerted from their stakeholders. This is why lack of pressure is regarded by many as the leading reason for not seeking assurance, as external pressure affects the perceived value, and in turn helps to justify the costs associated as well.

One small non-assured organisation believed that industry had a lot to do with pressure, where they did not operate in an industry of high public scrutiny, or have a large social or environmental impact. However, no organisation assured or not in this sample stated a high level of public scrutiny or pressure over their social and environmental performance, and many interviewees were operating in a broad range of sensitive, high attention areas. So it appears that while industry should be a factor in driving assurance adoption, in New Zealand, this does not seem to be occurring.

Park and Brorson (2005) found that there was no pressuring need felt by mainly smaller organisations, believing that assurance is only required of big multi-national organisations (p.1100). Therefore, perhaps New Zealand organisations are not of considerable size to garner high attention and pressure over their disclosures from stakeholders. Of those interviewed, only two organisations were multi-national subsidiaries, with the remaining interviewees operating mainly within or out of New Zealand. However, no organisations stated that they did not need assurance because they were not a big multi-national, or did not due to their small size. Interestingly, one of the smaller organisations interviewed had sought assurance in the past, indicating that size was not necessarily an issue. Although, larger organisations have been indicated as being more likely to obtain assurance (Simnett et al., 2009, p.956).

Three organisations stated difficulties as a reason for not seeking assurance, where the time and intensive process involved were the main issues. Two of these organisations believed that difficulties surrounding the assurance engagement were their major barrier towards assurance adoption. Jones and Solomon (2010) indicated that the internal time taken for the assurance engagement was a cost (p.27). However, although there is a cost involved, the time involved is not necessarily a cost related issue. One of the formerly assured organisations showcases this as they noted that time pressures, not cost from the time involved, was their main concern. Reporting was under tight time restraints for the organisation, and assurance created additional time management issues, as it was another piece of business that needed to be completed during a very busy time period for the organisation. Other organisations such as the formerly assured crown institute had noted that there were big time pressures in regards to reporting and that assurance was an added burden in that regard, however these organisations did not ultimately feel that this was a reason for them to not obtain assurance. Therefore, while the time involved is a factor to consider when debating assurance, it is not necessarily the main reason to not obtain assurance. However, it does clearly put added pressure upon an organisation's already tight time constraints of reporting these disclosures in annual reports.

Lastly, one organisation stated that being an under-developed reporter was currently their main barrier towards assurance adoption. Other newer reporters had collected and reported on their

disclosures for a couple of years, obtaining a small level of maturity to their disclosures. If interviews were conducted with more new reporters, or conducted a few years ago, perhaps organisations would have found this to be a bigger issue, as witnessed by one long-term reporting non-assured organisation mentioning this was their main reason in the past. Because the amount of social and environmental reporters in New Zealand is still increasing, under-developed reporting will still be part of the reason for many organisations to not obtain assurance. Therefore, social and environmental reporting is still evolving as many organisations are still in the early stages of what the NZBCSD describes as a 'journey' towards sustainability (Milne et al., 2006, p.814). It appears that while under-developed reporting alone is a reason to not obtain assurance, organisations are still subject to the various other barriers towards assurance adoption once reporting matures.

These results can be qualitatively compared to the percentages of major factors affecting assurance adoption reported by Park and Brorson (2005). Park and Brorson (2005) found that cost and questionable value were the two main reasons, where value was also a main issue in this thesis. However, it appears that lack of pressure, not cost was the other leading reason for organisations in not obtaining assurance in this thesis. Interestingly, lack of pressure had the lowest percentage out of the four main reasons in Park and Brorson (2005). The increased barrier of lack of pressure in this thesis is likely attributable to many organisations being relatively happy with their internal systems for ensuring the disclosures were accurate, which meant that assurance was mainly beneficial if required externally. Assurance was then not obtained primarily because stakeholders were not seen as requiring it. Park and Brorson's (2005) study was based upon interviews undertaken in 2003, which is materially significant when considering that most of the interviewees in this thesis were only beginning to report on these issues during the period of 2001 to 2004 (see Appendix 1). Perhaps internal systems and reporting maturity has evolved since this time for the majority of the interviewees, decreasing the perceived need for assurance over internal systems.

9.3 Assured reporters also question the value of assurance

Three of the four interviewed assured social and environmental reporters did not feel they faced any high barriers towards obtaining assurance. One assured organisation discussed how the internal processes of assurance were demanding and a potential barrier for non-assured

organisations. This corroborates with comments from non-assured and formerly assured organisations regarding the difficulty presented by the time taken. This organisation also discussed how assurance was not something you can "tack on" at the end; the report must be prepared in such a way that makes assurance a viable option. Many non-assured, and even formerly assured organisations may not necessarily be able to obtain assurance without making major changes to their report preparation and data collection methods. Although, many of these organisations discussed having internal processes in place performing this function, and only one organisation cited under-developed reporting as a reason to not obtain assurance.

One of the assured organisations discussed two potential barriers for currently assured reporters that were not necessarily issues faced by non-assured or formerly assured organisations, where only one of these organisations had faced one of these issues. Firstly, one of the assured organisations discussed how assurance was possibly of diminishing value for their organisation. Alternatively, another assured organisation believed that because reporting is dynamic, assurance continues to offer internal benefits, and that subsequent assurance engagements will become "quicker and cheaper", reducing the potential cost and time barriers. However, only one formerly assured organisation noted that diminishing value had occurred. Clearly though, diminishing value can be a driver for ceasing assurance in the future, and the continuing value of assurance appears to be mainly tied to the external need for assurance. As once the internal systems are in order and there are not believed to be errors in the disclosures, it is only external demand for assurance that will drive the voluntary, continued adoption of assurance.

The second barrier one of the assured organisations discussed was how there were not many experienced assurance providers in New Zealand. This was not just a New Zealand-specific issue, as Fonseca (2011) commented that organisations in the United States were also facing similar issues (p.19). While there are trained professionals specialising in social and environmental assurance in New Zealand, it appears that these people are in short supply. One prominent assurance provider had left the assurance market after 2006, leaving a small pool of active assurance providers for organisations to choose from. As assurance providers are often changed periodically as best practice to avoid conflict of interest and, as noted by one of the assured organisations, a way of getting "fresh eyes" in, this further reduces the choice of provider. However, this was only an issue

presented by one organisation, with all other organisations not finding an issue in this regard.

9.4 Resisting assurance: Assurance providers' opinions

Assurance providers outlined and understood many of the barriers that organisations had been facing, which shows that New Zealand's assurance providers understand their clients' issues, and the struggling social and environmental assurance area of their business well. Assurance providers also discussed another barrier to assurance which was not mentioned by reporting organisations. In essence, this was how these disclosures were sometimes used as marketing tools instead of as transparent communication, which made assurance less important. However, as discussed earlier in Section 9.1, no organisations stated marketing as the primary purpose for releasing social and environmental disclosures. One of the non-assured organisations even discussed transparently reporting both the good and bad information which illustrated how they were not attempting to present an unjustly favourable depiction of their organisation's performance. Additionally, it makes sense that these reports are not mainly for marketing purposes, as Fields (2002) argues that these reports are not efficient marketing ventures due to their relatively small readership, especially when compared to usual marketing outlets such as advertising (p.A143). Perhaps also, because the interviewed organisations all met a qualitatively monitored minimum requirement of disclosures reported (see Section 2.1), this may have removed some of the more marketing-focused social and environmental reporters. Many of these organisations did not produce enough material to warrant assurance, often merely a page in their annual report, or a section on their website discussing their sustainability policy or intentions, but without producing performance related data. Interestingly, one of the currently assured organisations was the only one to mention that while not the main reason for producing these disclosures, there were branding and profiling benefits, and the organisation believed that assurance was also helpful in this area. A former employee of one of the formerly assured organisations also noted that when their organisation had obtained assurance their stakeholders were aware that it was a leading report which was achieved through reporting to 'best practice' which includes obtaining assurance. Therefore, in some cases a branding or profiling purpose for reporting may even drive assurance adoption. Additionally, an accountant assurance provider had noted that even having a strong underlying purpose of sustainability does not necessarily drive assurance, so altogether, there is no evidence of a predictable manner of report purpose affecting assurance adoption.

9.5 The benefits of assurance

Previous literature focuses on the external benefits of assurance, where internationally it appears that credibility is the leading benefit received from gaining external assurance (KPMG, 2011, p.3). However, it appears that in New Zealand, assurance providers and reporting organisations believe that the internal benefits of assurance are larger than the external benefits. This is perhaps a pragmatic stance arising from the perceived lack of stakeholder pressure for assurance. Many organisations noted that in theory, assurance increased the credibility of the disclosures, however the majority of organisations qualified this support through a belief that the additional credibility obtained from assurance was minimal. The varying degrees of credibility believed to be added by obtaining assurance over social and environmental disclosures corroborates with the differential findings from the literature in this area. Carey et al. (2000) and Hodge et al. (2009) find strong support for assurance statements adding greater credibility for stakeholders. However, the interview findings in this thesis appear to indicate that this is often not perceived to be the case for New Zealand organisations. Interestingly, the results instead corroborate with the findings from another study conducted in New Zealand, Kuruppu and Milne (2010), which discovered that organisations did not lose credibility without assurance, although its presence helped reduce the effects of negative information (p.13). Organisations often stated that assurance only added a minimal amount of extra credibility to their disclosures, and therefore the disclosures were not believed to be losing credibility with the absence of assurance. Other external benefits of assurance other than credibility were not often discussed. Only one organisation, who is listed on the NZX, discussed a different external benefit for obtaining assurance, where assurance could help the organisation obtain higher ranking in sustainability focused stock exchange indices. Contrastingly, internal benefits from obtaining assurance had been discussed as the main benefits by most organisations. Many organisations with prior assurance experience discussed how the assurance process had uncovered errors in their reporting. Only one formerly assured organisation suggested that this was not of much benefit and did not discover materially significant errors. However, as described by an accountant assurance provider, the Chief Executive generally signs off on this information as being correct and it is then made public. Therefore, the Chief Executive could be taking undue risk by not obtaining assurance over the materially significant parts of social and environmental disclosures. In this regard, assurance could be extremely beneficial. Yet, only

one or two organisations inferred that this was a benefit of assurance.

Other learning-based benefits were also outlined, such as helping to improve the overall reporting process, employee motivation, and providing independent feedback on disclosures. Assurance improving quality of social and environmental disclosures was also noted by Moroney et al. (2011), while KPMG's (2011) survey found support for assurance improving the quality of the reported information and overall reporting processes (p.30).

9.6 Stakeholders: Do they use reports and do they require assurance?

All organisations generally felt that their majority shareholders were interested and used these disclosures in some way, and also discussed other stakeholders as users of these disclosures. Overall, stakeholders named as readers of these disclosures were similar to those discovered by Bartels et al. (2008), who found that most readers were from business backgrounds, and that consultancy, civil society, research/academic, investment/rating, individuals, and public agencies were also readers of these disclosures (p.5). Many organisations discussed how they engaged with their external stakeholders through other forms of communication in addition to the reported disclosures. In these instances, stakeholders may not necessarily need to view the reported disclosures to understand organisational performance in the areas of their material interests. Indeed, some of the non-financial stakeholders in Robertson (2010) discussed how they did not seek reported social and environmental disclosures as they already had a solid understanding of organisational performance in the areas of their interest through having direct engagement with the organisation (p.30).

Organisations from all demographics were also split as to whether stakeholders were using these disclosures for decision-making purposes or not. Bartels et al. (2008) discovered that almost 30 percent of users made informed decisions and took action on the basis of the disclosures (p.9), which appears to be a likely proportion based on the considerable amount of perceived non-readers of social and environmental disclosures, coupled with the varied responses of whether those who did read the disclosures used them for decision-making purposes.

All organisations, including the currently assured organisations, stated that they generally did not

think that their stakeholders required assurance over these disclosures. Only two organisations, one formerly assured and one non-assured, stated specific examples of stakeholders seeking assurance. The formerly assured organisation had been asked during tender applications to note assurance of their disclosures if it had been undertaken. While the non-assured NZX listed organisation discussed how the CDP had been seeking assurance over their carbon disclosures. Internal stakeholders were not noted for requiring external assurance, which was, as described by one non-assured organisation, likely due to numerous other ways that assurance could be obtained. Overall, it appears that stakeholders are not known to require assurance over this information, and certainly are not pressuring organisations to obtain it, except for the CDP, who are primarily focused on assurance over carbon disclosures only. This differs from the international findings of Bartels et al. (2008) which discovered support that assurance of social and environmental reporting was important for users of these disclosures (p.22). Although, it must be noted that findings in this thesis are based upon organisations' perceptions of stakeholder beliefs and not actual stakeholder perceptions, which may not necessarily reflect stakeholders' true opinions. However, if stakeholders were seeking assurance this would surely be an issue raised to the reporting organisation. Additionally, regardless of actual stakeholder opinions, ultimately it is the organisations' perception of stakeholders' desire for assurance that will drive whether or not to obtain assurance.

Findings related to shareholders' requirement of assurance also appear to differ from De Villiers and Van Staden (2010). De Villiers and Van Staden (2010) found that between 64 to 74 percent of individual shareholders in the US, UK and Australia used environmental disclosures for financial decision-making. Assurance for this information was also highly sought after, where between 50 to 70 percent of individual shareholders desired assurance (pp.234-238). However, it appears that either individual shareholders in New Zealand did not corroborate with these findings, or alternatively, the listed organisations in this thesis' sample did not perceive these stakeholders to be requiring assurance, or even all that interested in their disclosures. This was outlined by all three of the NZX listed organisations in the sample noting that their shareholders did not require assurance, and that they appeared to show limited interest in these disclosures. However, Milne et al. (2001) commented that New Zealand stakeholders' believed assurance was of equal importance to disclosures, yet organisations had either failed to understand this, or as shown by responses

from this thesis, disagreed that assurance was necessary (p.8). Perhaps this critique still stands.

Interestingly, supply chain stakeholders were also not driving assurance adoption for organisations. Darnall et al. (2009) had found support for supply chain stakeholders being influential in the adoption of assurance (p.183). However, there appears to be little evidence of organisation's supply chains driving assurance currently within New Zealand, even from organisations who export product into European and American markets. The only organisation to find supply chain stakeholders mentioning assurance was a small, locally operating New Zealand organisation.

Overall, comments such as the Commission of the European Communities (2001) stating assurance helps disprove stakeholder beliefs of social and environmental reporting as being merely a public relations exercise without substance (p.18) appear to be inapplicable for New Zealand organisations as there is little evidence of stakeholders questioning disclosures or seeking assurance.

9.7 Are there any concerns regarding current practice assurance?

One factor identified in prior research as having an effect upon the credibility received by assurance for stakeholders is the choice of either an accountant or consultant assurance provider. Results have been varied, with accountants appearing to be favoured by stakeholders in some studies (e.g. Hodge et al., 2009), and consultants in others (e.g. O'Dwyer et al., 2005). The mix of consultant to accountant use in New Zealand is reasonably spread, where in 2010 each type had performed two of the four social and environmental disclosure assurance engagements undertaken. Overall, there were favourable reasons for obtaining both accountants and consultants, with no prejudices against either type of assurance provider. Therefore, it appears that perceived credibility of provider was not a material issue. Only one of the assured organisations noted that they had chosen an accountant out of perception reasons, where their Board and Audit Committee desired an assurance provider that was recognised rather than a specialist who was not perhaps as broadly known. This was only a slight preference, as this organisation was now looking to change to a consultant. Overall, these results largely corroborate with findings from Moroney et al. (2011) indicating no significant differences between quality of disclosures between Australian accountant and consultant assured reports (p.25). Organisations' choices of assurance provider

types do not appear to be related to quality of the engagement.

Another potential issue discussed related to managerial capture, generally through reductions in scope of assurance engagements and the lack of regulation in the area of social and environmental assurance. Most critically, one of the non-assured organisations discussed how they believed assurance could be "tailored and bought". Similarly, one former employee of a formerly assured organisation also noted how some assurance engagements were not in fact offering much assurance and credibility to a sophisticated user of social and environmental disclosures. These opinions corroborate with Owen et al. (2000), who discussed how managerial capture could allow management to strategically collect and disseminate only the information they deem appropriate to advance the corporate image rather than being truly transparent and accountable to the society it serves (p. 85). Although, these organisations did not specify whether this was occurring within New Zealand's assurance engagements and associated assurance statements. Additionally, the formerly assured organisation's former employee did not believe that many stakeholders had the sophistication to look for assurance, or understand its' differences. This in theory negates the detrimental impacts from managerial capture upon the adoption of assurance, as stakeholders are not believed to be investigating assurance statement information. Therefore, there would be no perceived reduction in the value of the credibility of assurance for stakeholders.

Assurance providers also commented on the issue of scope, where one accountant assurance provider discussed that if stakeholders have an issue with the scope provided, they must point this out to the organisation. This illustrates the degree of influence over the assurance engagement that organisations possess. Two other assurance providers also stated how assurance engagements can differ wildly in scope and may not comment upon the truth and fairness of the underlying data. This variation in assurance is likely due to a lack of regulation over assurance exercises and differential reporting. This could potentially harm the adoption of assurance because it undermines the comparability and credibility of the social and environmental disclosures for stakeholders (Fonseca, 2011, p.7; Deegan et al., 2006a, p.341). However, as it has been largely established that stakeholders are not perceived to be sophisticated enough to read assurance statements to the degree required to discover these issues, again this should not in theory harm the adoption of assurance.

Another issue discussed was stakeholder beliefs over the difference between reasonable and limited assurance. Two organisations commented that limited assurance was in fact quite robust and a lot of work, however were not sure whether stakeholders would understand this. Hodge et al. (2009) also believed there may be confusion between reasonable and limited assurance engagements, however this created a lack of relationship between level of assurance provided and credibility that stakeholders received (p.188). Therefore, similarly to managerial capture, this is not an issue that appears to be harming the adoption of assurance as stakeholders are not sophisticated enough to seek and comprehend the differences between a limited and reasonable engagement.

9.8 Is New Zealand keeping up with reporting and assurance trends?

The majority of interviewees believed that social and environmental reporting in New Zealand was materially different to what was occurring internationally. Overall, it appears that interviewees agreed that New Zealand has less take up of both social and environmental reporting, as well as assurance over this information than what is commonly being exhibited worldwide. This corroborates with results from KPMG's (2011) survey, where New Zealand is ranked 32nd out of 34 countries in terms of social and environmental reporting instances (p.11), and ranked 30th for assured disclosures (p.29). One organisation suggested that this was possibly because New Zealand organisations were "...a bit slow to react." New Zealand being slower at taking up these areas of reporting was also discussed by Milne et al. (2001), and the results from this thesis illustrate that this gap has not closed since their study 10 years ago. Interestingly, one of the non-assured organisations even suggested that New Zealand had gone backwards in their social and environmental reporting. However, when looking at the amount of social and environmental reporters in New Zealand over time, there has been a constant (although sometimes slight) increase. This suggests that overall reporting is slowly increasing, which was also an observation that one of the formerly assured organisations stated. Although it appears that the amount of organisations obtaining assurance over these disclosures has decreased over time (see APPENDIX). It would be of interest to know whether the quality of disclosures has also changed over time. Even the former consultant assurance provider commented that at one stage they alone had between 12 to 14 clients, which is well beyond the amount of currently assured organisations.

Many organisations and assurance providers discussed how some overseas jurisdictions had stronger drivers for reporting and assurance which created a difference between those jurisdictions and New Zealand. However, as a whole there are only a few countries (most notably South Africa and Sweden) who have regulatory drivers for reporting and assurance, while the majority of the countries New Zealand is compared to through KPMG's (2011) latest survey do not have these requirements. Therefore, the absence of these near-mandatory overseas drivers are not the cause of the reduced level of reporting or assurance in New Zealand. Obviously though, these would drastically change the amount of organisations reporting and obtaining assurance overall in New Zealand if implemented.

New Zealand organisations were also not of the size of the many prominent overseas businesses often operating on a global scale, such as those included in KPMG's (2011) G250 organisations. Even when compared against Australian organisations, size was indicated to be an issue. Two formerly assured organisations commented that the vast majority of New Zealand businesses were Small and Medium Enterprises (SME), which impacts the volume of social and environmental reporters. Simnett et al. (2009) discovered that large organisations were significantly more likely to have their social and environmental reports assured (p.956). Therefore, it is plausible that the smaller size of New Zealand, with its modest population of 4.4 million people (Statistics New Zealand, 2011, n.p.), is a contributing factor as far as sheer amount of reporters. However, this does not explain why the majority of New Zealand's top 100 organisations do not report, and of those who do, do not obtain assurance (KPMG, 2011, pp.11-29).

One non-assured organisation discussed how there was a reduced need to report or obtain assurance on many aspects of social and environmental performance in New Zealand because human rights were not believed to be an issue, a lot of environmental issues were mandated under the RMA 1991, and production was covered by the *Consumer Guarantees Act 1993*. This corroborates with the findings of Kolk and Perego (2010), where countries with good legal mechanisms were less likely to obtain assurance over their disclosures (p.194). Simnett et al. (2009), corroborating with statements by this non-assured organisation, also categorised New Zealand as having good legal mechanisms (p.948).

Another potential area that may influence New Zealand's reporting and assurance adoption stems from the types of industries in New Zealand. Internationally, organisations operating in environmentally sensitive industries such as oil and gas, chemicals and synthetics, and mining have higher instances of reporting and assurance (KPMG, 2008, p.61). However, many organisations and assurance providers indicated that New Zealand includes many environmentally or socially sensitive organisations. Some of these industries were reporting, and with a higher proportion of assurance (for example, the energy sector). Although, one assured organisation stated that they were the only organisation in their "kind of contentious" industry publicly reporting these disclosures.

Many interviewees believed there were less societal awareness and understanding of sustainability in New Zealand when compared to Europe, which was impacting the demand for disclosures in this area. Kolk and Perego (2010) illustrated that having a high awareness and demand for sustainability within a country was indeed related to the country's organisations obtaining a higher percentage of assurance adoption (p.194). Therefore, if European countries had a high awareness and demand for social and environmental disclosures, and New Zealand had a relatively low level of awareness and demand, this could help explain the vastly differing trends in assurance adoption occurring. Kolk and Perego (2010) used AccountAbility's (2005) NCRI as a proxy for country demand for sustainability differences between countries. This study does classify organisations operating in European countries as having a high awareness of social and environmental performance, where the top 5 countries are all European. However, New Zealand is also listed 11th out of the 83 countries (AccountAbility, 2005, p.108). Therefore, following Kolk and Perego (2010) in using this index as a proxy for country demand for social and environmental disclosures, New Zealand appears to actually have a high societal demand and awareness of sustainability. Additionally, Research New Zealand (2007) found support for New Zealanders also having a reasonably high awareness of sustainability (p.3). Overall, evidence from Kolk and Perego (2010), AccountAbility (2005) and Research New Zealand (2007) indicate that there is support for refuting claims of New Zealanders as lacking awareness or understanding in the area of organisation's social and environmental performance, or sustainability. Although, organisations within this thesis have commented that stakeholder pressure was lacking in regards to disclosures, but perhaps this is due to other unknown factors. Additionally, some assurance providers, and even organisations,

perceived that many New Zealand organisations were often lacking full understanding of social and environmental reporting, and how these factors link in with their financial information. However, AccountAbility's (2005) NCRI suggests otherwise, ranking New Zealand organisations highly in regards to their national state of corporate responsibility (AccountAbility, 2005, p.108).

Assurance providers suggested that lack of stakeholder demand for assurance stemmed from insufficient and under-developed disclosures that did not communicate how social and environmental disclosures indicated financial risks. As noted by Milne et al. (2001), "It may not so much be that stakeholders are uninterested, but rather that they feel that reporting, as it is currently practised, seems to offer few genuine avenues for dialogue with companies" (p.10). Therefore, this may be a partial explanation of why stakeholders were not seeking assurance even though there appears to be a relatively high societal awareness. However, it is unlikely this is specific to New Zealand, as there is evidence of European stakeholders also finding disclosures insufficient (O'Dwyer et al., 2005, p.26). So, while it presumably discourages stakeholder use of reported disclosures and therefore impacts assurance adoption, insufficient disclosures are not a factor impacting New Zealand alone, or cause of variance between New Zealand and other countries.

One area highlighted by organisations and assurance providers alike which on the surface appears different to current international reporting trends was claims that New Zealand has always had a predominantly integrated approach to reporting. Internationally, integrated reporting is only now starting to become a trend worldwide (KPMG, 2011, p.23). However, whether New Zealand organisations' reports are true integrated reports as opposed to an annual report including (an often small) section on non-financial disclosure is debatable. KPMG (2011) differentiates this combined annual reporting from integrated reporting, believing that integrated reporting "...would imply a full picture of the organisation's comprehensive business performance" which would include social and environmental information included in the directors' report, and hence the title, integrated with the financial performance (p.23). As assurance providers have stated, New Zealand organisations have been poor at communicating how the social and environmental disclosures indicate financial risks. Therefore, it is likely that New Zealand organisations' reporting is more akin to combined annual reporting, and not true integrated reporting. Perhaps this is why assurance

providers believed understanding was not being conveyed across to financial stakeholders even though many New Zealand organisations appear to report in a more integrated fashion.

Another way that New Zealand's reporting differed, illustrated by one accountant assurance provider, was that disclosures and assurance were often targeted at certain aspects, instead of providing comprehensive coverage. This was typically exhibited by the amount of New Zealand organisations who obtain assurance over only their carbon disclosure. Additionally, the varied lengths of New Zealand organisations' reports also illustrate the differing levels of targeted reporting that is occurring. Very few organisations appear to report to the degree of New Zealand's leading reporters such as multiple time ACCA New Zealand Sustainability Reporting Award winners Sanford Limited and Watercare Services Limited. Therefore, the New Zealand climate may differ from other jurisdictions in this regard.

One area that was not discussed by many organisations related to how New Zealand did not have many assurance providers. There is obviously a small pool of assurance providers actively working in the social and environmental reporting area due to the minimal amount of organisations obtaining assurance. One of the assured organisations also discussed how the lack of reporting and assurance in New Zealand impacts assurance providers' ability to keep specialist expertise in the area of social and environmental assurance within New Zealand. This organisation noted that having an experienced assurance provider would likely provide continued value. Therefore, perhaps this is an issue for currently assured and formerly assured organisations which is impacting adoption of assurance. Especially as some organisations discussed that assurance had a diminishing value over time. Additionally, lack of ability to find an assurance provider with expertise was also something that was discussed by Fonseca (2011), where organisations in the US also had difficulty in this area (p.19). Similarly to New Zealand, the US also had a low percentage of social and environmental assurance engagements undertaken (KPMG, 2011, p.29). Therefore, this is likely not a New Zealand-specific issue, but does perhaps relate to organisations operating in the lesser assured countries, creating a difference when compared against countries leading in assurance adoption percentages.

The final material difference, outlined by one consultant assurance provider, was that many multi-

national organisations had operations in New Zealand, but reported on a global scale instead. Some multi-national organisations have previously prepared specific reports or sections on websites devoted to their New Zealand performance, such as BP New Zealand who reported their last New Zealand-specific report in 2004, which included assurance from a New Zealand assurance provider (BP, 2004, p.34). Organisations such as these who had once reported specific New Zealand reports and now only report on a global scale are one factor that has decreased the amount of assured New Zealand reporters. However, some multi-nationals, such as Vodafone New Zealand continue to release New Zealand-specific reports. Although, this is obviously not the only reason for the decline, as all of the interviewed formerly assured reporters still report at a New Zealand level, where only one of these organisations was part of a multi-national. There are also many Australian organisations operating within New Zealand, where these organisations, such as Telstra Corporation Limited, are dual listed on both the New Zealand and Australian stock exchanges. These organisations report on their social and environmental performances within their Australian annual reports or in a stand-alone report, which is (if obtaining assurance,) assured by an Australian assurance provider. While these reports may also be intended for New Zealand stakeholder perusal, the reporting and assurance are driven by the Australian market which exhibits a higher reporting and assurance rate (KPMG, 2011, pp.11-29). Therefore, assurance percentages in New Zealand are affected by overseas organisations preparing global reports, instead of ones targeted towards New Zealand specifically.

9.9 The future of assurance in New Zealand

Assurance adoption is looking to grow overall, with four non-assured or formerly assured organisations interested in obtaining assurance in the future. Hence, there will be some growth caused by these and other organisations re-considering and obtaining assurance in the future. However, what is believed to drive future growth? Although there are organisations beginning to contemplate assurance adoption, or at least thinking about re-investigating obtaining assurance, organisations still believe the drivers for obtaining assurance are limited and relatively weak. Hence, drivers for assurance will also have to increase.

One major potential driver for assurance discussed by interviewees was through an increase in the New Zealand public's desire for social and environmental disclosures and practices. In theory this

makes sense, as if the general public started demanding products and services that were socially and environmentally friendly, then organisations would likely produce disclosures and obtain certifications stating that this had been achieved. Or, organisations would have to provide these disclosures to retailers, or other members of their supply chain. Therefore, it would then seem likely that this information would require assurance to ensure that it is free from material misstatements.

Milbrath (1984) raises the notion that social change emanates from a combination of evolutionary succession, social learning and technological development (pp.95-96). Current society arguably consists of two significant paradigms of human thought: The Dominant Social Paradigm (DSP), and the New Environmental Paradigm (NEP), where The DSP holds the view that nature is a resource to use as an input for production which often disregards other societies, species, and future generations. Additionally, the DSP believe that technology will solve any problems that society will face in the future, and believe growth is a limitless, desired trait of society, and that there is currently no fundamental problems compromising future existence. Contrastingly, The NEP value nature and want to preserve it. They are compassionate towards all species, people and future generations. The NEP believes that careful planning will avoid the risk of world destruction, and desire to cease development of technology that is potentially harmful. They also understand there is a limit to growth and only finite resources (Milbrath, 1984, pp.22). Milbrath (1984) then discusses that social learning is slowly converting people from the dominant DSP to NEP, but not to the degree required. This is because DSP holds a more attractive lifestyle to the majority, who tend to love and value nature, but also want to use it in the production of goods (p.99). Currently, the DSP is still regarded as the more dominant paradigm of the two (Prothero et al., 2011, p.31). Therefore, a paradigm shift from DSP to NEP reaching a tipping point where NEP becomes dominant would likely cause the social change that would drive society to actively seek social and environmental disclosures as a whole. If society was demanding disclosures, it would then in theory make sense for them to also demand assurance over this information, similar to how financial information is assured.

Another potential driver for assurance in the future discussed was business agencies. While business agencies such as the NZBCSD have had a presence in New Zealand for over 10 years, until

recently it appears that only the NZBCSD had promoted social and environmental disclosure, and as best practice, assurance. Although many organisations had stated that the NZBCSD previously provided support and exposure for social and environmental reporting, many noted how this was now no longer as strong as it was. The NZBCSD appears to have ceased offering workshops for organisation's employees. Initially, many organisations believed that the NZBCSD was championing these disclosures and that it had been driving change. However, this appeared to be no longer occurring. While it appears that the NZBCSD is no longer effectively championing social and environmental reporting, organisations discussed how Business New Zealand is now promoting social and environmental reporting and running workshops. Therefore, the support of agencies such as the NZBCSD and Business New Zealand are a driver for change within social and environmental disclosures through supporting and training organisations in the area of social and environmental reporting. Through holding workshops, non-reporting organisations can learn how to measure and manage their social and environmental impacts and performances. In the absence of available training, new reporters would either have to pay a consultant to come in to help out, or like the non-assured, small, new reporter stated, "[go] around and around in circles..." Now with the advent of the NZBCSD and Business New Zealand working together, establishing the Sustainable Business Council on January 1 2012 (Business New Zealand, 2012, n.p.), there is now an even stronger collective group championing the business case for sustainability. However, it will be interesting to see how or whether this impacts upon social and environmental disclosures and assurance within New Zealand into the future.

International markets were discussed as a potential driver by interviewees across all categories. One of the assured, large organisations interviewed operates largely in European and American markets, and discussed how these international markets were not currently driving reporting and assurance, but that they were discussing it, with tentative plans being made. Many of the big international retailers such as Wal-Mart and Tesco now recognise and report on social and environmental performance, attempting to drive, among many sustainability initiatives, ethical sourcing of products (Jones, Comfort, and Hillier, 2011, p.264). These major overseas retailers are likely gearing up to drive disclosures through seeking sustainably sourced products. Once their sourcing policy requires disclosures regarding social and environmental performance, assurance is also likely to be a key piece of interest. Large retailers have the luxury of choosing which

organisations to obtain product from, and as one of the assured organisations pointed out, can dictate that they are only going to buy from organisations who report on certain parameters. Assurance may potentially be intrinsic to these disclosure requirements. Durieu (2003) also discussed that retailers can exert pressure upon suppliers for changes in production processes (p.7). Additionally, international markets hold sway over many New Zealand organisations, as New Zealand is a large exporting nation (CIA, 2011, n.p.). Therefore, this will likely be a sizeable driver for disclosures and for assurance if also required. If and when the large overseas retailers introduce such policies. It would also make sense that New Zealand retailers may also follow suit once the big overseas retailers begin doing so. Some of the bigger New Zealand retailers such as The Warehouse have already implemented ethical sourcing initiatives (The Warehouse, 2011, p.19).

Investors and shareholders were discussed as potential drivers for assurance in the future. Organisations and assurance providers stated that if there was significant pressure from investors for social and environmental disclosures, and required assurance for these disclosures, then organisations would be driven towards obtaining assurance. The New Zealand Superannuation Fund has a broad set of disclosure requirements for investment funding (New Zealand Superannuation Fund, 2011, p.22), and other ethical funds do too. It is likely that these investment groups would value assurance over these disclosures to ensure credibility, validity and reliability, and thus may start requiring assurance in the future. However, it appears that for individual shareholders and the general wider investment community to start demanding assurance over these disclosures from organisations may take a similar paradigm shift as that described by Milbrath (1984).

Another way the investment community will drive assurance, as indicated by one of the non-assured organisations, is through socially and environmentally responsible indices that rank organisations based upon their performances across a range of metrics. These indices, such as FTSE4Good, will be an important driver for assurance, as organisations could gain a higher ranking within these indices by obtaining assurance. In this regard, if an organisation is included in one of these indices, it makes sense that they would desire to be ranked as high as possible, as there would be a range of benefits from achieving a high ranking. This organisation also noted that there was some pressure from the CDP, who were strongly pushing for assurance over carbon reporting.

This statement corroborates with the commentary in CDP (2011). While the pressure for assurance from the CDP is over carbon reporting only, which is only one aspect of social and environmental reporting, the CDP are now expanding their focus to include water and supply chains, and so will likely attempt to drive assurance over an expanded set of performance metrics in time.

One potential driver that is unique to New Zealand, indicated by one accountant assurance provider, was a growing Maori influence in New Zealand organisations. This assurance provider discussed how Maori had a deep understanding and focus of sustainability. Commonly, it appears that New Zealand organisations had stated working closely with Maori organisations in their stakeholder engagement practices within their social and environmental disclosures. Two interviewees specifically mentioned joint ventures with Maori organisations. One of the assured organisations discussed how one particular Maori organisation was very interested in their social and environmental disclosures which illustrates that Maori is becoming a big driver for social and environmental disclosures. The potential drivers for assurance also increases, with the possibility of either Maori requiring independent assurance for disclosure credibility, validity and reliability, or from organisations seeing greater value in their disclosures from increased attention, where the business case for assurance in this area becomes stronger.

One consultant assurance provider had discussed how over the last year New Zealand has faced many challenges to its natural environment through environmental disasters such as the Rena oil spill disaster (Ihaka, 2012, n.p.), major earthquakes in New Zealand's second biggest city of Christchurch, and the Vector gas leak (APNZ, 2011, n.p.). This consultant assurance provider believed that these natural disasters were forcing New Zealand-wide awareness of social and environmental issues which will likely usher in a bigger sustainability focus for the many organisations that have been challenged through these issues. This was similar reasoning to the ways Milbrath (1984) indicated that social change happened, where evolutionary succession, social learning and technological development (pp.95-96) are being exhibited as organisations re-assess their foundations after facing unexpected incidents. Inherently, this makes sense as organisations will endeavour to minimise future damages by improving their current processes. One process that appears to be improved, or at least externally communicated more extensively post-environmental disaster, has been voluntary disclosures. Previous studies have discovered an increase in

disclosures after facing social and environmental incidents and issues (Patten, 1992; Deegan, Rankin and Voght, 2000; Cho, 2009; Coetzee and Van Staden, 2011; Heflin and Wallace, 2011). Therefore, there is some basis to the assumption that these issues will drive importance of disclosures as organisations attempt to combat the extra, often negative, attention that these issues have created. Assurance then becomes important for preserving external credibility, as it has been noted to help reduce negative opinions (Kuruppu and Milne, 2010, p.13), and internally provides organisations with some certainty that their disclosures are correct within these sensitive areas.

One change discussed was of long-term reporters reaching a level of maturity and satisfaction with their disclosures and from there would bring in assurance over their information as the next step. Under-developed reporting was a reason discussed by interviewees in both Park and Brorson (2005), and by one organisation in this thesis as a reason to not obtain assurance. However, it appears that under-developed reporting processes are ultimately only one underlying reason for not obtaining assurance for organisations, as this alone does not appear to be a driver for obtaining assurance. Additionally, one former employee of a formerly assured organisation noted many of New Zealand's reporters have now been reporting for over 10 years, yet many long-term reporters have instead ceased assurance adoption over time. This indicates that long-term maturity of disclosures is not solely a driver for assurance adoption. However, as described by one consultant assurance provider, maturity of reporting processes and the underlying data collection will make assurance a viable option once the drivers for assurance are present.

Another factor that could potentially aid the adoption of assurance was through change and evolution of disclosure communication. One consultant assurance provider believed that finding a communication channel or presentation of disclosures, that reaches stakeholders in an engaging way is a major issue. One formerly assured organisation discussed how the annual report is not a good communication channel for many stakeholders. Therefore, if communication channels improved, there could be more stakeholder interest in the disclosures, which will help sell the business case for obtaining assurance. Interviewees were unsure what these better communication channels could be, although a strong website presence and integrated reporting were two current trends. It appears that communication of disclosures is also a challenge internationally, and that

there is not yet a standard approach to additional communication beyond disclosures in reports (KPMG, 2011, p.20). Overall, communication channels improving, like long-term maturity of reporting, could be a factor in assurance adoption increasing. However, ultimately communication also requires increased stakeholder attention, which if not currently present, is contingent upon a paradigm shift as explained earlier.

While regulation making assurance adoption mandatory would obviously drive assurance adoption in New Zealand, this was believed to be very unlikely to happen, at least in the current New Zealand climate. Many interviewees discussed that regulation over social and environmental disclosures were unlikely to happen in New Zealand beyond the carbon reporting requirements for those businesses that fall under the mandate of the New Zealand ETS. In 1997, the New Zealand government began investigating making disclosure of environmental impacts a statutory requirement for organisations, however this did not eventuate (Milne et al., 2001, p.11), and has not been an issue of contention since. Regulation would likely spawn from increased desire for disclosures from society, and thus, again, would be likely driven by a societal paradigm shift.

Another unlikely potential driver could be through assurance being made a mandatory item for a minimum level of GRI compliance. However, it appears that many organisations in New Zealand did not seek to claim a level of GRI compliance, as they felt that many of the requirements were not applicable or material to their business. So although New Zealand organisations often used the GRI reporting guidelines, these were not strictly adhered to in most instances. Therefore, if GRI made assurance a requirement for claiming any level of compliance, it appears unlikely that this would drive New Zealand organisations towards obtaining assurance.

Finally, stakeholder panels or less formal assurance engagements may also start becoming more popular, and may replace more traditional assurance engagements of similar nature to financial auditing. There was interest expressed from one currently assured organisation for switching to a stakeholder panel approach in the long-term. With prominent international organisations such as Royal Dutch Shell using stakeholder panels, it is likely that this could be a trend that could gain traction, especially considering the current low assurance adoption across New Zealand organisations, and that two of the formerly assured organisations believed that stakeholder panels potentially had a better value case when compared to traditional assurance engagements.

10. CONCLUSION

In answering the first research question of why New Zealand organisations choose to report on their social and environmental disclosures, all organisations did not appear to view this reporting as a marketing exercise. Instead, organisations appeared to report due to genuine concerns over measuring environmental and social impacts. Overall, there appeared to be no material differences of disclosure purpose or target audience between currently assured, formerly assured and non-assured organisations that would cause some organisations to not adopt assurance. The second research question of why many New Zealand organisations did not seek assurance over their social and environmental disclosures produced five overall reasons to not adopt assurance as stated by organisations. Namely: cost, lack of perceived value, lack of pressure for assurance, difficulties surrounding the assurance engagement, and under-developed reporting. These were similar to the findings of Park and Brorson (2005), except in regards to lack of perceived value and cost, as these were the most common drivers stated in Park and Brorson (2005), while this thesis found that lack of perceived value and lack of pressure were the main drivers for not obtaining assurance. This thesis also found that cost, difficulties with the engagement and under-developed reporting were generally additional factors which added to the decision to not obtain assurance. The value proposition of assurance was poor for many organisations, where both lack of internal and external value were stated. Some organisations had perceived greater external value from other credibility adding functions such as a stakeholder panel, or carboNZero certification. However, stakeholder panels and carboNZero certification were generally not believed to be full replacements for an assurance engagement, although they were felt to have better value propositions for organisations using them overall. The main drawback for stakeholder panels was that robust internal control systems had to be in place to ensure disclosures were accurate representations of the underlying issues that were being reported. The external value was also closely tied to a lack of pressure. The lack of pressure on organisations to obtain assurance was an integral reason for many organisations to not obtain assurance overall, as many organisations did not detect stakeholder interest in assurance over these disclosures. Therefore, organisations did not feel there was a strong business case for acquiring assurance, as long as their internal systems were adequate. Overall, the apparent increase in lack of pressure in this thesis, compared to Park and Brorson (2005), is likely attributable to the continued evolution of social and environmental reporting since

their study. As a whole, organisations have generally matured in this space, where interviewees appeared relatively happy with their internal systems. This creates a scenario where assurance is mainly beneficial if required externally. Currently assured and formerly assured reporters added that diminishing value was another factor affecting assurance adoption, where some organisations believed that internal benefits decreased over time. This creates a value proposition which heavily relies upon the external benefits of assurance. Other additional barriers were also experienced, including New Zealand assurance providers being in slim supply, and that some organisations may have a marketing purpose which could affect assurance adoption. Barriers were mostly unable to be mitigated or minimised overall, where only cost had clear steps that could be undertaken. These steps were not fail safe, as cost savings from reducing the scope of the assurance engagement had potential detrimental effects upon the underlying value of the assurance engagement.

The third research question asked what the perceived benefits of assurance are for organisations. The benefits of assurance outlined by assurance providers were internal benefits of ensuring accurate disclosures and risk management. While external benefits were believed to differ depending upon the organisation's objective, credibility was also a benefit, but only for certain demographics of stakeholders. Not every user of disclosures was believed to require assurance of disclosures. Assured and formerly assured reporters named similar internal benefits to those discussed by assurance providers. Although, non-assured reporters seldom mentioned the internal benefits to assurance. This was generally not believed to be related to the fact that these organisations had not undertaken non-financial assurance, as many had obtained assurance over their carbon data in the past. Of the external benefits that assurance provides, credibility was the main benefit discussed. Only one organisation mentioned another external benefit, which was namely how assurance helped obtain higher ranking in ethical indices. Credibility had mixed support as a benefit, with mainly assured organisations believing that credibility was enhanced through having assurance. Those who did not obtain assurance thought it had negligible credibility adding effects for stakeholders. Interviewees from various categories noted how in theory credibility was improved by assurance; however there was little empirical evidence of this occurring within New Zealand. Overall, these results differed from KPMG (2011) who noted external benefits as being the major benefits for assurance, with internal benefits being additional (p.30). Whereas organisations in this thesis tended to feel that the internal benefits of assurance

are stronger, this was likely influenced by the majority of the interviewed organisations holding a pragmatic stance on whether assurance added credibility.

In answering the fourth research question of whether stakeholders use social and environmental disclosures, and if they are perceived as requiring assurance, organisations felt that their majority shareholders or owners were interested in their disclosures. Organisations also discussed how certain other stakeholder groups also used their disclosures. However, organisations often used other communication channels such as direct engagement to reach many stakeholder groups, instead of reported disclosures. Organisations were generally unsure whether stakeholders used the reported social and environmental disclosures for decision-making purposes, although some specific examples of this occurring were discussed. Additionally, it was generally believed that majority shareholders or owners were using these disclosures as part of their overall decision-making. However, organisations did not believe that stakeholders required assurance over their disclosures, and had not witnessed stakeholders requesting assurance. Only two organisations had noticed specific stakeholder interest in assurance. Overall, this differs from literature stating that stakeholders are interested in disclosures, and that most seek assurance over these disclosures (Bartels et al., 2008; Darnall et al., 2009; De Villiers and Van Staden, 2010). Milne et al. (2001) specifically discusses this issue, stating that New Zealand stakeholders highly valued assurance, yet organisations had either failed to understand this, or as indicated by a range of organisation's responses within this thesis, disagreed that assurance was necessary (p.8).

Organisations and assurance providers were probed for ways that the assurance engagement was providing less value to stakeholders to see whether a range of issues relating to social and environmental assurance were perceived for the fifth research question. If perceived, these issues could have had an impact upon the decision to obtain assurance. Managerial capture, regulation and the differentiation between reasonable and limited assurance were discussed by interviewees. Organisations could decide to obtain a vastly reduced scope assurance engagement, which is a managerial capture issue that could reduce the value of assurance. Lack of regulation leading to variable standards and practices was also discussed. Finally, some organisations stated that stakeholders were not sophisticated enough to understand the difference between reasonable and limited assurance. However, none of these issues were believed to be factors for not obtaining

assurance overall.

For the sixth research question regarding why New Zealand appears to be lagging behind international assurance trends, organisations and assurance providers stated a number of ways that they believed New Zealand was materially different when compared to certain regions. Interviewees believed the take up of social and environmental reporting in New Zealand was low, and the assurance of this information was also low, which corroborates with KPMG's (2011) report (pp.11-29) and this thesis' pilot study. Some countries were differentiated from New Zealand due to near-mandatory requirements for social and environmental disclosures and assurance. However, this was only a small minority of the many countries who performed better as far as percentage of reporters, and assured reporters than New Zealand. The smaller size of New Zealand was also discussed, where many overseas organisations were much bigger than those in New Zealand, and the sheer amount of reporters in other countries was larger due to New Zealand's modest population of 4.4 million. Although, these factors do not explain why the majority of New Zealand's top 100 organisations do not report. Size does also not describe why organisations who do report on their social and environmental performance are not obtaining assurance. New Zealand's societal and organisational awareness and desire for sustainability was another item of discussion, where interviewees believed that New Zealand had a low awareness and understanding of sustainability when compared to Europe. However, prior literature and studies indicated that New Zealand's society and organisations were both aware of and valued sustainability (Research New Zealand, 2007; AccountAbility, 2005). Interviewees also discussed that some organisations provided insufficient disclosures which did not communicate financial risks. This may be why stakeholders did not use organisation's social and environmental disclosures. Although, this does not appear to be an issue specific to New Zealand (O'Dwyer et al., 2005, p.26), and hence not a major cause of national variance in assurance adoption. Assurance and reporting in New Zealand was also indicated as different due to many organisations selectively assuring or reporting upon specific items, rather than producing whole reports with comprehensive assurance. A small number of interviewees discussed the limited amount of experienced assurance providers in the New Zealand marketplace, which was likely attributable to the lack of assured reporters. While highly experienced Australian firms could be engaged, this came at a large cost. Lack of assurance provider experience is not a New Zealand specific issue (Fonseca, 2011, p.19), but does appear to

be a difference between countries with higher and lower percentages of assurance adoption. Finally, one assurance provider discussed that while many multi-nationals operate in New Zealand, their reporting and assurance was generally driven outside of New Zealand. Some multi-national organisations who formerly produced assured, New Zealand specific reports have ceased doing so, which has also added to the assurance adoption percentage decline in New Zealand.

For the final research question of what the future of assurance in New Zealand will hold, and what the potential drivers for assurance could be, organisations and assurance providers believed that assurance in New Zealand was going to start increasing. The assured organisations were planning on obtaining assurance in the short to medium term at least, while many non-assured and formerly assured organisations were also looking to obtain assurance in their medium to longer term plans. Additionally, another form of assurance, stakeholder panels, was believed to become more prominent over time as well. The key drivers for assurance in the future were outlined as: an increase in societal desire for sustainability, business agencies championing disclosures and assurance, the overseas export market, investors, Maori groups, social and environmental incidents, reporter maturity, and the presentation and communication of disclosures changing. An increase in societal awareness was tied to a paradigm shift from the current dominant paradigm within society. Business agencies had an important job of educating businesses about reporting and best practice assurance, where the NZBCSD and Business New Zealand look set to be more prominent through working together as the Sustainable Business Council. Export markets were believed to be a driver for New Zealand, if and when big foreign retailers start requiring disclosure and possibly assurance as part of their ethical sourcing of goods. Investors and investment funds seeking disclosures may drive assurance if they start actively seeking and requesting assurance over an organisation's disclosures. Maori groups were also named as a potential driver for assurance due to their deep cultural beliefs regarding sustainability and the use of natural resources. Maori groups could conceivably start seeking assurance over these disclosures, or at least improve the value case for assurance. There had been some notable social and environmental incidents within New Zealand recently, where these issues drive awareness. Environmental challenges and the added, often negative, attention afterwards have been known to increase the amount of organisation's voluntary disclosures (Patten, 1992; Deegan et al., 2000; Cho, 2009; Coetzee and Van Staden, 2011; Heflin and Wallace, 2011), and organisations may also want

assurance in these sensitive areas. Reporter maturity would make assurance a viable option through developing robust data streams over time. Improved presentation and communication of disclosures could present increased readership and use of disclosures. And finally, regulation making assurance or reporting mandatory, and GRI changing their treatment of assurance appeared to be unlikely sources of assurance adoption increase in New Zealand.

In conclusion, the assurance of social and environmental disclosures is stalling within New Zealand due to a multitude of factors, as laid out within this thesis. Therefore, whether, or how fast organisations in New Zealand start to obtain assurance is unknown and is a complex proposition. However, there are many attributes that can be monitored and discussed, and there are many potential ways that assurance may start to be perceived as more useful for organisations, which will likely drive assurance adoption overall.

11. CONTRIBUTION TO KNOWLEDGE

Firstly this thesis contributes a thorough understanding of the current climate of social and environmental reporting and assurance in New Zealand. While KPMG (2011) has released information regarding the reporting and assurance of New Zealand's top 100 organisations, this thesis adds to this information by seeking all assured reporters within New Zealand, and documenting which organisations are and are not producing disclosures. This was achieved using the NZX top 50 companies, the NZBCSD membership, and from other organisations who have also come to light through various other sources as social and environmental reporters. This thesis also documents prior reporting and assurance in New Zealand through three-year data points covering 2001, 2004, 2007 and 2010. Previously, reporting in New Zealand had not been documented in such a fashion, where KPMG had not included New Zealand in their triennial survey since 1996.

This thesis has also helped gain an insight into New Zealand organisations' purposes for voluntarily disclosing their social and environmental performances and their targeted audiences. Organisations' beliefs and reasons for reporting have been obtained through interviews to ascertain why they release these disclosures externally, and for whom. Results from this have shown that organisations at least claim not to be primarily pursuing a marketing agenda from releasing these disclosures. Instead, organisations gave the impression that they were instead disclosing out of concern over social and environmental areas, and their organisations' impacts.

Literature regarding the reasons why non-assured organisations do not obtain assurance have also been added to. Park and Brorson (2005) was the main study in this area. This thesis adds to their findings by corroborating with the four key reasons for not reporting presented in the Park and Brorson (2005) study, and adds a fifth category of difficulties surrounding the assurance engagement. This thesis also discovered a different overall mix within the four reasons from Park and Brorson (2005), where lack of pressure was a main reason in this thesis compared to fourth in Park and Brorson (2005). Additionally, Park and Brorson (2005) noted that organisations stating lack of value as a reason to not obtain assurance did not see extra internal value, whereas this thesis discovered New Zealand organisations believed assurance lacked both internal and external value. This thesis also corroborates with Owen et al. (2009), finding that cost alone is not an issue

by itself when not obtaining assurance, as there also has to be perceived value received for the money spent (p.21). It also differentiates the cost described by Jones and Solomon (2010) who indicated that the internal time taken of the assurance engagement was a cost (p.27), as although there is a cost involved, the time involved is not necessarily a cost related issue. One interviewee in this thesis noted time was instead a separate difficulty surrounding the assurance engagement unrelated to the cost. Overall, this thesis also contributes an attempt to describe how some reasons to not obtain assurance are inter-linked. There is often a causal chain of events which describes why organisations offered several reasons for not obtaining assurance. Cost was generally related to lack of value for the engagement, as all but one organisation stating cost as a reason noted that the money could be obtained if necessary. Therefore, there had to be a value received for the cost. Similarly, organisations did not see value in the engagement, where this stemmed from lack of perceived internal and external benefits. Lacking external benefits were attributed to lack of stakeholder pressure. Therefore, cost, value and pressure are often inextricably linked, which was why many organisations discussed all three to varying degrees.

Findings relating to why formerly assured organisations have ceased assurance have also been discovered by this thesis. While these interviewees were included in Park and Brorson (2005), their results were not treated separately from organisations who had never obtained assurance. Thus, their reasons for ceasing assurance were not as clearly stated. These interviews, along with corroborating remarks from currently assured reporters, added diminishing value as a reason to not obtain assurance. Findings relating to the barriers that assured reporters face have also been discovered and were not part of prior literature, also adding to the diminishing value finding. Formerly assured and currently assured New Zealand organisations also contributed discussion on the lack of experienced assurance providers in New Zealand, which corroborates with Fonseca (2011), presenting the notion that organisations operating in countries with lower assurance rates will have more trouble seeking experienced assurance providers.

Findings relating to the assurance provider's opinions on why organisations do not obtain assurance have also been produced. This presented opinions on how some organisations may have a marketing or public relations purpose for releasing social and environmental disclosures. This would not necessitate assurance, unless these disclosures were not achieving their purpose

without the presence of an assurance statement. Additionally, the only organisation in the thesis to express a marketing purpose for reporting was an assured organisation, which provides evidence of how a marketing purpose can impact on assurance, but unexpectedly this can cause either an increase or decrease in perceived need for assurance.

Another contribution is evidence of organisations' perceptions regarding the benefits of, and credibility provided by assurance. International results from KPMG (2011) found enhanced credibility as the leading benefit received from obtaining external assurance (p.3). However, this thesis has shown that assurance providers and organisations in New Zealand recognise internal benefits as being the main benefits received. This appears to be due to New Zealand organisations and assurance providers approaching the idea of credibility in a pragmatic way, agreeing that it should add credibility in theory. However, most organisations did not feel that credibility was enhanced in practice due to a perceived lack of readership of disclosures or stakeholder requirement for assurance. Additionally, assurance providers discussed how credibility was only provided to certain stakeholder groups, as some, such as community groups, were not believed to seek assurance. These results differentiate from those of Carey et al. (2000) and Hodge et al. (2009) who found evidence of assurance providing added credibility for stakeholders. Instead, results corroborate with Kuruppu and Milne (2010) who discovered that organisations did not lose credibility without assurance, although its presence helped reduce negative information (p.13).

New Zealand organisations' perceptions of stakeholder use of disclosures and their requirement of assurance are another contribution presented. Firstly, the stakeholder groups named as readers of social and environmental disclosures corroborated with those discovered by Bartels et al. (2008). A likely similar proportion of users making informed decisions from these disclosures to Bartels et al. (2008) were also observed. However, results differed in this thesis to prior literature finding assurance of social and environmental disclosures to be important for stakeholders (Bartels et al., 2008; Darnall et al., 2009; De Villiers and Van Staden, 2010). Organisations did not believe that stakeholders required assurance. Organisations that did not provide assurance noted that they had never had any stakeholders requesting or even mentioning assurance. Only two organisations noted any examples of stakeholders mentioning assurance, other than by judges at the ACCA New Zealand Sustainability Reporting Awards. These results corroborate with Milne et al. (2001) who

discovered that New Zealand stakeholders' believed assurance was of equal importance to disclosures, yet organisations had either failed to understand this, or as shown by responses from this thesis, disagreed that assurance was necessary (p.8).

This thesis adds to literature regarding the accountant versus consultant assurance provider debate. While results regarding stakeholders opinions of whether accountants or consultants are best for the job of social and environmental assurance provider, with accountants favoured in some studies (e.g. Hodge et al., 2009), and consultants in others (e.g. O'Dwyer, Unerman, and Bradley, 2005), there was no perceived problem with either in this thesis. The overall mix in New Zealand differs from international evidence, where New Zealand's five currently assured social and environmental reporters are assured by a relatively even mix of consultants and accountancy firms, differing from the current international rate where accountants are assuring the majority of organisations (KPMG, 2011, p.30). Findings added to previous literature in this area by also documenting why organisations favoured one or the other, where it appears that accountants were favoured for mainly streamlining reasons due to being their financial auditor and being a known brand within the business and investment community. While, consultants were often sought due to cost and specialist knowledge. Overall, results in this area largely corroborate with findings from Moroney et al. (2011) indicating no significant differences between quality of disclosures between Australian accountant and consultant assured reports (p.25).

This thesis adds to prior literature regarding national differences affecting assurance adoption. This thesis presented interviewee opinions over a range of differences between New Zealand and other countries, with high assurance adoption percentages. One of these opinions was that New Zealanders had a lower awareness and desire for sustainability than in Europe. However, this thesis finds support from Kolk and Perego (2010), AccountAbility (2005) and Research New Zealand (2007) to refute these claims. This thesis also highlights New Zealand's targeted assurance and reporting efforts, where organisations may report or assure specific areas of their non-financial performance. Lastly, the effect multi-nationals have had on the assurance industry of New Zealand has been documented, as their reporting and assurance is often driven outside of New Zealand. Multi-nationals who once reported with assurance specifically in New Zealand have now ceased this action, causing the assurance adoption rates of New Zealand reporters to fall more than is

likely attributable to the New Zealand market alone.

Insight into the short to medium term assurance adoption of organisations has been discussed, which contributes an indication that assurance may slowly grow in this space, or at least does not look to decrease in the future. This knowledge is useful, as it illustrates that the assurance industry of New Zealand has stabilised after considerable drop off of full engagements over the years, and is in fact anticipating growth into the future. The thesis also indicates many potential key drivers for assurance in New Zealand in the future, which have not been documented before. Some of these are New Zealand-specific, while others may be potential drivers for assurance worldwide. The potential drivers mentioned by interviewees and discussed in detail in this thesis are: An increase in society desire for sustainability, business agencies championing disclosures and assurance, the overseas export market, investors, Maori groups, social and environmental incidents, reporting maturity, presentation and communication of disclosures changing.

Overall, this thesis contributes an in-depth look at the causal factors related to organisations decisions to obtain or not obtain assurance, which is a highly complex area with many inner workings. Only Park and Brorson (2005) before this thesis have attempted to understand this decision, however that study was set in a different climate to this.

12. FUTURE RESEARCH AREAS

This thesis presents a few key areas for future research. Firstly, this thesis uncovers a contested belief that New Zealanders are not as aware of sustainability, or desire this information. Future research could be conducted within New Zealand society, or alternatively, comparing attitudes towards desire for an organisation's disclosures between New Zealand and a country with a higher assurance percentage. Secondly, organisations have claimed that stakeholders do not seek assurance over their disclosures, while prior literature indicates that this is not the case. Therefore, an in-depth investigation into this area may be beneficial to ascertain the extent that an expectations gap exists between New Zealand organisations and stakeholders over assurance. A study investigating organisations that produce a bare minimum of disclosures could also be valuable. This would ascertain why minimum disclosure reporters produced very little information, and what the purpose of reporting this information was. There has been much discussion in this thesis regarding a range of stakeholders (business agencies, investment groups, Maori groups, and overseas retailers), where it would be beneficial to gauge their opinions on assurance, and whether they have future plans to require it from organisations. This thesis could be replicated in another country, which would produce data to compare and contrast against this thesis, as well as against Park and Brorson (2005). Alternatively, a study could replicate some of the findings from this thesis within New Zealand with a larger population, or another form of methodology to bring greater validity and rigour over the findings.

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14. APPENDIX 1:

New Zealand Assurance History

NZX Organisation	2001			2004			2007			2010		
	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider
AIA	N	-	-	N	-	-	AN	10	-	AN	5	-
AIR	N	-	-	AN	7	-	AN	4	-	N	-	-
AMP	N	-	-	N	-	-	N	-	-	N	-	-
ANZ	AN	2	-	AN	4	-	SA	12	Corporate Citizenship	SA	19	Corporate Citizenship
ANZO	N	-	-	N	-	-	N	-	-	N	-	-
APN	N	-	-	N	-	-	AN	2	-	AN	1	-
ARG	X	-	-	N	-	-	N	-	-	AN	1	-
CAV	N	-	-	AN	2	-	AN	4	-	N	-	-
CEN	N	-	-	SA	16	-	SA	40	ERM	SA	40	Deloitte Wellington
DNZ	X	-	-	X	-	-	X	-	-	N	-	-
EBO	N	-	-	N	-	-	N	-	-	N	-	-
FBU	AN	2	-	AN	7	-	AN	10	-	AN	6	-
FPA	X	-	-	N	-	-	N	-	-	N	-	-
FPH	N	-	-	N	-	-	N	-	-	N	-	-
FRE	N	-	-	N	-	-	N	-	-	N	-	-
GFF	X	-	-	X	-	-	N	-	-	SA	24	-
GMT	N	-	-	N	-	-	N	-	-	N	-	-
GPG	N	-	-	N	-	-	N	-	-	N	-	-
HLG	N	-	-	N	-	-	N	-	-	N	-	-
IFT	N	-	-	N	-	-	N	-	-	N	-	-
KIP	N	-	-	AN	1	-	AN	1	-	AN	3	-
KMD	X	-	-	X	-	-	X	-	-	N	-	-
MFT	N	-	-	N	-	-	N	-	-	AN	7	-
MHI	N	-	-	N	-	-	N	-	-	N	-	-
MVN	X	-	-	X	-	-	N	-	-	N	-	-
NPX	AN	1	-	AN	6	-	AN	8	-	AN	3	-
NZO	N	-	-	N	-	-	N	-	-	N	-	-
NZR	N	-	-	AN	20	-	AN	13	-	N	-	-
NZX	X	-	-	N	-	-	N	-	-	N	-	-
PFI	N	-	-	N	-	-	N	-	-	N	-	-
PGC	X	-	-	N	-	-	N	-	-	N	-	-
PGW	N	-	-	N	-	-	N	-	-	N	-	-

NZX Organisation	2001			2004			2007			2010		
	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider
POT	AN	8	-	AN	5	-	AN	6	-	AN	8	-
PPL	X	-	-	N	-	-	N	-	-	N	-	-
RAK	X	-	-	X	-	-	N	-	-	N	-	-
RBD	N	-	-	N	-	-	N	-	-	N	-	-
RYM	N	-	-	N	-	-	N	-	-	N	-	-
SAN	SA	27	-	AN	29	-	AN	42	Tonkin & Taylor	SA	44	Tonkin & Taylor
SKC	N	-	-	N	-	-	N	-	-	N	-	-
SKL	N	-	-	AN	2	-	AN	2	-	AN	2	-
SKT	X	-	-	X	-	-	N	-	-	N	-	-
STU	N	-	-	N	-	-	N	-	-	N	-	-
TEL	N	-	-	AN	2	-	AN	2	-	AN	4	-
TLS	N	-	-	SA	44	-	SA	68	-	SA	64	Banarra
TPW	AN	7	-	AN	6	-	AN	6	-	AN	22	*carbon, PwC
TWR	N	-	-	N	-	-	N	-	-	N	-	-
VCT	N	-	-	AN	4	-	N	-	-	N	-	-
VHP	N	-	-	N	-	-	N	-	-	N	-	-
WBC	N	-	-	SA	117	Banarra, GHD	SA	20	Banarra	AN	32	KPMG Sydney
WHS	SA	22	-	SA	40	-	SA	20	*carbon	SA	26	PwC Auckland
TOTAL	7		0	17		2	18		4	18		6
TOTAL MINUS AUSTRALIAN/ INTERNATIONAL REPORTS	6		0	15		2	16		3	14		3

NZBCSD Organisation	2001			2004			2007			2010		
	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider
3R Group	N	-	-	N	-	-	N	-	-	N	-	-
Andrew Stewart	N	-	-	N	-	-	N	-	-	N	-	-
Aurecon	N	-	-	N	-	-	N	-	-	N	-	-
BNZ	N	-	-	SA	40	Reassuran- ce Network	SA	28	ERM Au	AN	7	ERM Au
BECA	N	-	-	N	-	-	N	-	-	N	-	-
Blue Star Group	N	-	-	N	-	-	N	-	-	N	-	-
BMW NZ	N	-	-	N	-	-	N	-	-	N	-	-
Branz	N	-	-	N	-	-	N	-	-	N	-	-

NZBCSD Organisation	2001			2004			2007			2010		
	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider
CCH	N	-	-	N	-	-	N	-	-	N	-	-
Cranleigh	N	-	-	N	-	-	N	-	-	N	-	-
Comvita	N	-	-	N	-	-	N	-	-	N	-	-
Cowper Campbell	N	-	-	N	-	-	N	-	-	N	-	-
Deloitte NZ	N	-	-	N	-	-	N	-	-	N	-	-
Ecostore	N	-	-	N	-	-	N	-	-	N	-	-
Energy TS	N	-	-	N	-	-	N	-	-	N	-	-
Fonterra	N	-	-	N	-	-	N	-	-	WEB	10	-
GHD	N	-	-	N	-	-	N	-	-	N	-	-
GSB	N	-	-	N	-	-	N	-	-	N	-	-
Hobsonville	X	-	-	X	-	-	SA	10	-	SA	22	-
HSBC	N	-	-	SA	34	Corporate citizenship	SA	35	DNV	SA	26	PwC London
Hubbards	SA	25	-	N	-	-	SA	29	-	N	-	-
IBM	SA	39	Nolan ITU	SA	45	GHD	SA	40	-	N	-	-
IRL	X	-	-	AN	2	-	N	-	-	AN	3	-
Interface NZ	N	-	-	N	-	-	N	-	-	N	-	-
James & Wells	N	-	-	N	-	-	N	-	-	N	-	-
JML Communications	N	-	-	N	-	-	N	-	-	N	-	-
Landcare Research	AN	44	Tonkin & Taylor	AN	42	Tonkin & Taylor	AN	60	-	AN	26	-
Leighton Contractors	N	-	-	N	-	-	SA	30	-	N	-	-
Les Mills	N	-	-	N	-	-	N	-	-	N	-	-
Living Earth	N	-	-	N	-	-	N	-	-	N	-	-
Meridian Energy	SA	43	URS NZ	AN	20	URS NZ	AN	10	ERM NZ	AN	10	*carbon
Messenger Services	N	-	-	N	-	-	N	-	-	N	-	-
Mighty River Power	SA	52	-	AN	22	-	AN	20	-	AN	9	-
MWH	N	-	-	N	-	-	N	-	-	N	-	-
NZ Post	N	-	-	N	-	-	N	-	-	AN	-	*carbon
POAL	N	-	-	AN	18	-	N	-	-	AN	7	-
Progressive Enterprises	N	-	-	N	-	-	SA	40	-	SA	84	Net Balance
Rev ID	N	-	-	N	-	-	N	-	-	N	-	-
Ricoh	N	-	-	N	-	-	N	-	-	SA	56	-
SAN	SA	27	-	AN	29	-	AN	42	Tonkin &	SA	44	Tonkin &

NZBCSD Organisation	2001			2004			2007			2010		
	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider
									Taylor			Taylor
Scion	X	-	-	N	-	-	AN	4	-	AN	4	-
Siemens	SA	48	-	N	-	-	SA	90	PwC	SA	132	PwC
SKM	SA	33	-	AN	8	-	SA	29	-	SA	25	-
Sovereign	N	-	-	N	-	-	N	-	-	N	-	-
Spicers Paper	N	-	-	N	-	-	N	-	-	N	-	-
Tourism Auckland	N	-	-	N	-	-	N	-	-	N	-	-
Toyota	N	-	-	N	-	-	SA	48	-	SA	56	-
Transpacific	N	-	-	N	-	-	N	-	-	N	-	-
Urgent Courier	SA	28	URS NZ	N	-	-	N	-	-	SA	9	-
URS NZ	SA	23	Work Environ- ment	SA	36	Rebecca Macky	SA	25	*stakehol- der panel	N	-	-
VCT	N	-	-	AN	4	-	N	-	-	N	-	-
Waikato University	N	-	-	N	-	-	N	-	-	N	-	-
Watercare Services	SA	90	URS NZ	AN	37	URS NZ	AN	54	ERM NZ	AN	46	-
WHS	SA	22	-	SA	40	-	SA	20	*carbon	SA	26	PwC Auckland
Wright Communications	N	-	-	N	-	-	N	-	-	N	-	-
TOTAL	12		6	14		8	18		6	20		6
TOTAL MINUS AUSTRALIAN/ INTERNATIONAL REPORTS	9		5	10		5	12		3	15		2

OTHER organisation	2001			2004			2007			2010		
	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider
ASB NZ	N	-	-	N	-	-	N	-	-	SA	38	-
BP NZ	N	-	-	SA	40	URS NZ	SA	44	EY	SA	50	EY
Chow Hill	N	-	-	N	-	-	N	-	-	SA	21	-
Christchurch International Airport	N	-	-	AN	6	-	AN	10	-	AN	20	-
Commonsense Organics	N	-	-	N	-	-	N	-	-	SA	14	-
Genesis Energy	SA	33	-	AN	10	-	AN	45	-	AN	40	Deloitte

OTHER organisation	2001			2004			2007			2010		
	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider	Report	Length (pages)	Assurance Provider
												Auckland
Hayes Knight	N	-	-	N	-	-	N	-	-	SA	8	-
NIWA	N	-	-	AN	59	URS NZ	SA	35	ERM NZ	AN	2	-
Norske Skog Tasman	SA	36	URS NZ	SA	29	URS NZ	N	-	-	SA	17	-
NZAS	N	-	-	SA	22	-	SA	33	-	SA	20	-
NZ Wine Co	N	-	-	N	-	-	N	-	-	SA	17	-
Richmond NZ	N	-	-	N	-	-	AN	28	-	AN	17	-
Solid Energy	N	-	-	SA	25	-	SA	36	-	AN	15	-
Vodafone	N	-	-	SA	24	URS NZ	SA	25	ERM NZ	WEB	12	ERM NZ
TOTAL	2				8	4		8	3	14		3
TOTAL MINUS AUSTRALIAN/ INTERNATIONAL REPORTS	2		1		8	4		7	2	12		2

OVERALL RESULTS (NZX + NZBCSD + OTHER DATA)

	2001			2004			2007			2010		
	Reporting Organisations	Assurance	Assurance Adoption %	Reporting Organisations	Assurance	Assurance Adoption %	Reporting Organisations	Assurance	Assurance Adoption %	Reporting Organisations	Assurance	Assurance Adoption %
Total	19	7	36.8	36	13	36.1	42	12	28.6	50	13	26
Total minus Australian / International reports	15	6	40	30	10	33.3	33	7	21.2	38	5	13.2

15. APPENDIX 2:

Semi-structured Interview Questions

Assurance Providers:

1. Approximately how many social and environmental report information assurance engagements do you partake in each year?
2. Do you believe this is a growing piece of business for your organisation and why?
3. What arguments do you present to potential clients in encouraging their use of assurance?
4. Do you feel assurance is adding value to the client, and how so?
5. Do you think that stakeholders use social and environmental information in their decision making, and do they require assurance?
6. Are there any parts of the assurance process that you think would cause caution for stakeholders regarding the assurance provided when considering the true and fair nature of the reported information?
7. Why do you think many organisations opt not to get assurance for social and environmental reporting information?
8. What barriers do you see in the way for organisations in the adoption of assurance? How could these barriers be removed/minimised?
9. If value was an issue for organisations not to get assurance, then how do you propose the assurance process could be altered to provide increased value?
10. Have you had a previous client decide to not get assurance anymore? Why did they do this?
11. Do you think the social and environmental reporting assurance business is materially different in New Zealand when compared to other countries? Why do you think there are lower levels of assurance in New Zealand when compared to many other countries? Why is this percentage not increasing?
12. Do you think third-party assurance will be the common practice in the near future in New Zealand? What are the future drivers for assurance likely to be?

Organisations:

1. What is the purpose for voluntarily reporting your social and environmental disclosures? Who is the target audience of this information?
2. Did your organisation obtain third-party assurance for over this information in your latest report?
- 3a). If yes, what was your motivation for seeking third-party assurance?
- b). If no, what was the reasoning for not obtaining third-party assurance? Additionally, had you ever obtained assurance before? Why did you stop?
4. If you had obtained assurance, who provided the assurance, and why did you decide on them as your assurance provider? Have you ever changed assurance provider, and why did you do this? If you do not currently obtain assurance, who would you choose and why?
5. What barriers does your organisation face when considering beginning/continuing assurance adoption? How could/are these barriers be removed/minimised?
6. What are the benefits of assurance for your organisation, the report, and your stakeholders? Do you feel that assurance provides value to your report, and how so?
7. Aside from the mentioned barriers to adoption, are there any other cons in the decision to obtain third-party assurance?
8. Do you think that stakeholders use social and environmental information for decision-making?
9. a) Assured: Do stakeholders want/demand assurance?
- b) Formerly Assured: Do stakeholders want assurance? Have you noticed any difference in stakeholder reaction since ceasing assurance?
- c) Non-Assured: Do you believe stakeholders want assurance? Do they ever bring this up?
10. If non-assured, what measures are being taken by your organisation to assure the credibility of the report, the accuracy of the disclosures, and to be sure material information is not missing?
11. Is there anything that you can think of to improve assurance engagements so that it offered you more value, and thus be more beneficial?
12. Are there any parts of the assurance process that you believe could cause caution for stakeholders regarding the assurance provided when considering the true and fair nature of the reported information?
13. Can you estimate the time and expenses required for getting third-party assurance for your report?

14. Is assurance adoption in your organisations' long-term plans for social and environmental reporting?
15. Do you think the social and environmental reporting assurance business is materially different in New Zealand when compared to other countries? Why do you think there are lower levels of assurance in New Zealand when compared to many other countries? Why is this percentage not increasing?
16. Do you think third-party assurance will be the common practice in the near future in New Zealand? What are the future drivers for assurance likely to be?